



# THE INDEPENDENT

Friday 5 December 1997

45p (R50p) No 3,474

**INSIDE THE EYE  
TODAY 32 PAGES  
OF FILM, POP  
& CLASSICAL**

**Stallone:  
He could  
have been a  
contender**



**Anything for a  
tough life: Mark E.  
Smith of the Fall**



**Hollywood  
stars:  
Who  
needs  
them?**

## TODAY'S NEWS

### Blair's key Bill pledges better schools

An education Bill to raise school standards - the yardstick by which the Prime Minister wants his government to be judged - was published yesterday. The School Standards and Framework Bill will allow businesses to take over some local education authority functions and to be involved in the creation of 25 education action zones in deprived areas. New "super-heads" paid as much as £100,000 a year may run the zones, which will contain two or three secondary schools and their feeder primary schools. The Education Secretary gets unprecedented powers to intervene in failing schools and local education authorities. But teachers said the zones, which will be used to test educational experiments and be able to pay extra to attract the best teachers, could destabilise the entire education service. **Page 5**

### Fayed bribes charge

The tycoon Tiny Rowland has claimed in High Court writs that his old adversary, Mohamed Al Fayed, offered him £10m to lie to a parliamentary committee on standards. The former head of Lorrho also alleges that the Harrods owner was prepared to hand him ownership of the shirtmakers Turnbull & Asser and tried to blackmail him. The allegations were "categorically" denied by Mr Fayed. **Page 3**

### Winnie denies murder

Winnie Mandela denied any involvement in the murder of the 14-year-old activist known as Stompie at the close of a nine-day hearing of the Truth and Reconciliation Commission in Johannesburg yesterday. In a bizarre and emotional scene at the end of the hearing, she embraced the boy's mother. **Page 3**

### Opera resignations

The chairman and board of the Royal Opera House resigned yesterday as a matter of honour, following a damning Commons report. But the chief executive, Mary Allen, one of the committee's targets, is not going. She disclosed last night that she did offer to resign but said her offer was "emphatically and unanimously rejected by the board." **Page 7**



INSIDE THE EYE, page 32  
JACKSON, page 32 and  
the Eye, page 29  
WOLFE, page 30  
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## One runs into old school chums in the oddest of places



Prince and the pauper: Prince Charles unexpectedly meeting a former school mate, Clive Harold, in Clerkenwell, London yesterday Photograph: PA

One can never tell where one might bump into one's old school friends, as the Prince of Wales discovered yesterday. Visiting the London offices of the magazine for the homeless, the *Big Issue*, he looked taken aback when he was introduced to Clive Harold, 49, a former pupil of Hill House School in Knightsbridge, London.

According to Mr Harold, the two were in the same

stream and played football together. "I reminded the Prince how we used to walk from the school to the Territorial Army ground near Sloane Square for football. He remembered that and he also remembered the headmaster giving us mint sweets," he said.

"The Prince did not remember me of course and I only remember him because we both had big cars and because

he was obviously well known there."

Mr Harold told the Prince that from his privileged upbringing, he had become a showbiz columnist for *Women's Own*, a fact later confirmed by the magazine. He had also written a book - *The Uninvited* - which he still carries with him as a "security blanket". But while his career has flourished, his life was disintegrating. "I re-

alised that I had not given enough time to my family and friends. I suppose the booze got me in the end," Mr Harold said.

"It was when my second marriage failed that things really fell apart. I lost my house and one day I woke up in a shop doorway in the Strand. I had lost everything."

Mr Harold now sells the *Big Issue* from a pitch near Hol-

born Tube station, and is rebuilding his life. The Prince, as a single parent, is rebuilding his own life, albeit in slightly more salubrious surroundings.

Mr Harold commented: "It was strange that we should meet again after 44 years. My life has had its twists and turns and so has his." Or as the Prince said afterwards: "It just shows you, doesn't it?"

—Jojo Moyes

## Utter confusion about BSE in cakes and sweets

**Will gelatine be the next beef-derived ingredient we worry about? Probably we shouldn't - but it may be at risk as the Government wrestles with the consequences of banning beef 'on the bone', because gelatine is what you get from the bones. Our Science Editor investigates.**

Gelatine, used in huge quantities of sweets, cakes, biscuits, sauces and other foods, may be implicated in the new BSE scare. It was revealed yesterday. But there was profound confusion about the issue, which takes the beef crisis into new areas for every shopper.

Gelatine is a binding agent for foods and medicine made from boiled animal bones, including cattle bones - which have become the subject of a proposed Government ban, when attached to cuts of meat, such as T-bone steaks. Europe produces about 97,000 tonnes of it annually, and probably consumes even more.

So has the disease spread to this most widespread and homely of substances? As with many aspects of the BSE story, no one seems entirely sure. "Infectivity has never been shown in gelatin," said a government spokesman yesterday - repeating a line which has been used for more than a decade. In contrast, Stephen Dealler, an independent expert on the disease, said: "The method used to detect infectivity - injecting it into mice - makes it far less sensitive than you'd ideally want. A lot of tissues have come out negative in the government tests. But you really don't know for sure."

The Government's certainty that meat on the bone poses a risk - however small - prompted a typically British reaction from some shoppers yesterday: they began bulk-

buying. Joe Collier, owner of Eastwoods Butchers in Berkhamsted, Hertfordshire, said he had sold a week's worth of ribs in one day to customers defying the planned ban - which requires a Parliamentary Order, not expected until January.

"One customer rang up and placed an order for £200 of Scotch rib of beef," said Mr Collier. "He won't be able to pick it up for a week but he wanted to make sure he'd be able to get hold of it. We've sold more rib of beef today than I normally would in a whole week. Customers are saying they're very angry about what's happened."

Farmers meanwhile continued with a more Gallic reaction. Many were last night

converging on Dover for a blockade, continuing protests which have been building in size and spread since Sunday night. Jack Cunningham, the Minister of Agriculture, pledged to do everything in his power to bring the chaos to a halt. "Farmers have no right to act outside the law. If this was a bunch of unemployed youngsters people would see it completely differently," he said. "Farmers are not above the law - that has got to be made clear to them."

Michael Jack, his predecessor in the post, said he had met hill farmers on Wednesday who had told him beef prices at Banbury market were at a 20-year low. Hill farmers, who have an average income of only £10,500 a year, have been hit badly by the problem.

But while the anger over meat off the bone grew, the confusion over the bones off the meat is quietly growing. The Eu-

ropean Commission intends to bring in new regulations from 1 January which will compel Europe's gelatine manufacturers - who produce about 97,000 tonnes annually, for revenues of about £580m - to use only "approved" bones from "BSE-free" countries.

But with fewer than 20 working days before that comes into force, the EC hasn't decided what "approved" or even "BSE-free" means. In particular, Germany, which has recorded five cases of BSE, insists it should be defined as "BSE-free" because the cases were found only in imported rather than home-bred cattle. Jurgen Thomsen, secretary of the Association of Gelatine Manufacturers of Europe, said yesterday: "I have absolutely no idea what the definition will be."

There is also confusion over what bones can be used. Gelatine manufacturers have previously used the vertebrae as raw material - but as the spinal cord has repeatedly been shown to be very infectious, and with this week's announcement that bone marrow is potentially infectious, they are worried that that too will be taken off the approved list. In that case, the price will go up, and they will be forced to import from the US and Asia, which presently vie for market share.

The Ministry of Agriculture, Fisheries and Food was last night still puzzling over the consequences of its own ruling. "We're not sure if gelatine in food will be able to be made from bones from any countries," said a spokeswoman yesterday. "We will thrash that out with the industry, in consultation to start as soon as possible and report as soon as possible."

Farmers blocking ports were damaging their own interests as well as Britain's close relationship with Ireland, Mr Cunningham warned last night after a meeting with his Irish counterpart, Joe Walsh.

Beef crisis, pages 12 and 13

## England draw a clear passage

England's quest to repeat their World Cup win of 1966 was given a boost last night when they were handed a comfortable first-round draw for next year's tournament in France.

Glenn Hoddle's team will open their campaign on 15 June in Marseilles against Tunisia, and will then play Romania and Colombia in their two other first-round games. Two of the four will progress to the second round and England should have no problems being one of them. Romania, the strongest of their opponents, have an ageing side, while Colombia and Tunisia should both prove beatable. Hoddle said: "It's not a bad draw. It could have been a lot worse."

For Scotland, it was a lot worse. They were drawn in the same group as Brazil, the World Cup holders and strong favourites to retain their title next year. Making up the numbers in their group are Norway, ranked 14 in the world to Scotland's 36, and Morocco, who are the type of underrated team that the Scots have most to fear.

Scotland start their World Cup on 10 June against Brazil in Paris, the opening game of the tournament. Craig Brown, their coach, said: "It couldn't come any tougher." He added that his side would be aiming for second in their group at best. England and Scotland are drawn in such a way that they could meet in the semi-finals. Hoddle said it would be a "dream come true for British football".

Yesterday's draw threw up some other intriguing ties. The United States are pitted against Iran in the opening stages, in a group with Germany and Yugoslavia. South Africa, making their first appearance in the finals, will meet the hosts, France. Saudi Arabia and Denmark in the opening phase.

—Nick Harris  
Sport, pages 30,32

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# 2/BRIEFING

## COLUMN ONE

### A bag of sugar: the acid test for Italian virility

Italian men show a rare enthusiasm for sex – or at least those who agreed to test a new drug for impotence did.

They were persuaded by doctors at the Centre for Impotence and Fertility in Rome that the only valid way to test the efficacy of the treatment was by applying a kilogram weight – equivalent to a large bag of sugar – to the end of their penises to assess their rigidity.

If the weight did not buckle the penis, that would be proof that the treatment worked.

In all, 123 men agreed to participate in the study, ranging in age from 33 to a remarkable 77. The drug, alprostadil, was inserted into the urethra (the opening of the penis) and the men were given what doctors call "visual erotic stimulation" – pictures of undressed women to you and me.

First, the hardness of the penis was assessed using an electronic rigidity meter called a Rigicompt which measured the pressure. Once this rose above 75mm of mercury it was judged to be fully rigid.

Next the men were subjected to the "penile buckling test". If they could carry the kilogram weight – no hands allowed – they passed.

The test was carried out using a virility meter. The device is applied to the top of the glans of the penis and presses downward, recording the pressure in grams.

Dr Ermanno Greco, who conducted the study with his colleague Dr Paolo Polonio-Balbi, said: "It is a machine which expresses your virility. You can see exactly what your power is. It is not such a severe test."

An erection capable of lifting a weight of 750 grams – three-quarters of a bag of sugar – is good enough for intercourse, though it is not fully rigid, Dr Greco said. Men who can support a kilogram weight from the end of the penises are at peak virility and push the machine off the scale.

The results of the study, reported in the *Lancet*, showed that the drug improved the blood flow in all patients, increasing the size of the penis and more than doubling it in some. Unfortunately, "not many had a real and lasting hardness," Drs Greco and Polonio-Balbi say.

There was complete rigidity in 11 men and a full but not lasting erection in 16 that subsided in one to two minutes.

Five patients were sufficiently impressed to try the drug at home and two "got good results", the doctors say. The other 118 returned to using the injections direct into the penis that most of them had previously relied upon.

The performance of even the most successful Italian volunteers pales beside the exploits of the sadhus of Nepal. In *Chomolungma Sings The Blues*, an account of travels around Mount Everest by the mountaineer Ed Douglas, he describes meeting a sadhu who offers to lift a rock with his penis – for a price. How much does the rock weigh? Over 80 kilos. "It is a hard life," says the sadhu.

— Jeremy Laurence, Health Editor

## PEOPLE



Lauren Booth: 'I felt like a child that had foolishly poked a stick at a caged panther'

### PM's sister-in-law asks Alan Clark for a date

By now, most women might consider it a good idea to give Tory MP Alan Clark a wide berth. Perhaps the Prime Minister's sister-in-law simply hadn't read the *Diaries of the "cold, steely-eyed Lothario"*.

In an article in *The Spectator* magazine, 28-year-old former model Lauren Booth recalled how she tried to date the libidinous former Cabinet minister at a recent parliamentary awards ceremony.

"My reputation as a Valkyrie-like goddess (encouraged by bored journalists with columns to fill) was at stake," she wrote. "To leave the awards not having been asked out by him would, I was assured, be seen as 'a sure sign you're a woorer'."

Determinedly, but with a "demure smile", Ms Booth approached Mr Clark and said: "It wouldn't be good form for either of us to leave here without having arranged an innocent lunch together."

"Time may indeed have crumpled those aquiline features, but as he turned his full and vaguely amused attention on me, I suddenly felt like a child that had foolishly poked a stick at a caged panther," she said. "He gave me a cool, brazen appraisal: 'My dear, I was going to ask you anyway,' he growled."

Ms Booth also described the arrival of Tony Blair at 10 Downing Street, as "the Versace revolution".

"To witness a historic moment can have peculiar repercussions. That moment for me was realised as I watched my charming, Marmite-sandwich-making brother-in-law change before my eyes at his Sedgely constituency count into 'our leader'."

Ms Booth said Mr Blair was "warmer than Pitt the Younger, more flamboyant than Disraeli, and more youthful than Lloyd George."

"The Czech overthrow of Soviet tyranny was called the Velvet Revolution. This was just as momentous: the Versace Revolution."

Last week Tory spin doctor Sheila Gunn admitted that she had no grounds whatsoever for suggesting that Cherie Blair did not like Humphrey the Downing Street cat. But Ms Booth suggests that feline adoration does not run in the family.

"Our paths crossed one afternoon in the Downing Street lobby. He looked a bit ragged. Moreover, he had the arrogance of a very senior civil servant – the cat wasn't called Humphrey for nothing."

"Indeed, he gave me such a withering look of contempt that I shall never forget him," she said, adding: "Nor will I forget the unpleasant odour that followed him about."

— Jojo Moyes

## UPDATE

### HEALTH

#### Festive misery for alcohol bingers

More than 10,000 people a day are expected to seek help for alcohol-related problems over Christmas, it was disclosed yesterday. Around 9,300 people go for help for their own drink problem and 700 make inquiries on behalf of friends or family, according to an Alcohol Concern survey.

The director, Eric Appleby, said the charity and other alcohol advice agencies were bracing themselves for a Christmas and New Year rush. "This is the first time that we have been able to put an accurate figure on the numbers... receiving help on any given day – and the figure of 10,000 is bound to go up over the Christmas period, given the amount of alcohol consumed and holiday closures." The study, the first of its kind, carried out just before Christmas last year, shows men accounted for two-thirds of self-referrals and the average age of people seeking help was 41. Nearly half the people requiring help said they were concerned about their psychological health. Physical health was the main concern of 27 per cent; relationship problems 20 per cent; and a combination of work and financial problems 7 per cent.

Mr Appleby said the figures showed the scale of alcohol abuse. "Perhaps the most important thing to note about these figures is that it's not right just to be concerned about drugs and young people – 85 per cent of the sample used no drugs other than alcohol, thereby killing the myth that people generally seek help with a cocktail of alcohol and drug problems."

### CRIME

#### Old Vauxhalls head the theft index

Fifteen-year-old Vauxhall Cavaliers are the cars most likely to be stolen, according to official Home Office figures published yesterday.

More than one in every 10 1980-82 model Cavaliers on the road last year was stolen. And the 1983-85 and the 1986-88 models fared almost as badly in the Home Office's Car Theft Index. The Cavalier's monopoly of the top places in the index was only broken by the 1986-88 model Austin Morris Metro MG, which was fourth on the list.

The good news for car buyers is that newer vehicles are much less likely to be stolen. Just two in every 1,000 cars registered last year was stolen, compared with 28 per thousand registered in 1985 – the peak vintage for thefts. Home Office Minister Alan Michael said the trend reflected improvements in security by manufacturers in recent years, although he warned against complacency.

### TOURISM

#### Icelanders have hots for Scots shops

Icelanders have the hots for British shops: tourists from there spend more per day – an average of £99 – than any other overseas visitors to the UK, figures from the Office for National Statistics (ONS) show. Much of the spending is on shopping trips to Scotland.

The figures also showed a record 42 million visits were made abroad by UK residents in 1996 – up 3 per cent on the 1995 level. Spending on these trips totalled a record £16.3bn – up 6 per cent. France was the most popular destination, followed by Spain, Ireland, the USA and Germany. A record 25 million visits were made by overseas residents to the UK last year – up 7.5 per cent on the 1995 total. More visits were made by French residents than from any other country. Although Icelanders were the top daily spenders, the highest spenders overall were Americans, followed by the Germans.

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### Wheelchair bound MP has that golden touch

Christmas came early yesterday for Labour MP Anne Begg, who displayed her new gold-plated wheelchair outside the House of Commons. Ms Begg, 41, who became Britain's first wheelchair-bound MP when she defeated former the Scottish Office minister Raymond Robertson on 1 May for the Aberdeen South constituency, showed that the disabled can travel in style by acquiring the new £1,475 chair.

She spotted the chair at this year's Scope National Conference in Blackpool, and decided that it would be the ideal accessory to complement her best clothes on special occasions.

One of a limited edition of just 99 being sold across Europe, the chair contains around £180 worth of gold.

Chris Fullerton, the marketing manager of manufacturers Invacare UK, said: "We have found

that wheelchairs are fast becoming a style item, and that users want chairs to reflect their personality, as well as providing a high degree of mobility."

Ms Begg, who was head of English at Arbroath Academy before her election to Parliament, has been in a wheelchair for 13 years.

She suffers from Gaucher's disease – an enzyme deficiency blood disorder that has softened her bones.

### TOURIST RATES

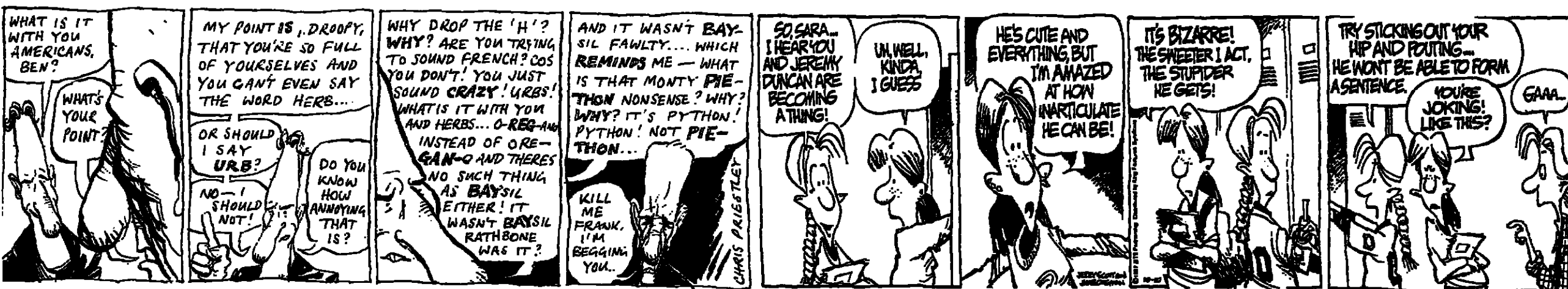
Australia (dollars)	2.41	Italy (lira)	2,848
Austria (schillings)	20.33	Japan (yen)	215.06
Belgium (francs)	59.73	Malta (lira)	0.63
Canada (\$)	2.33	Netherlands (guilders)	3.25
Cyprus (pounds)	0.84	Norway (kroner)	11.78
Denmark (kroner)	11.08	Portugal (escudos)	294.23
France (francs)	9.69	Spain (pesetas)	243.96
Germany (marks)	2.90	Sweden (kroner)	12.80
Greece (drachme)	462.30	Switzerland (francs)	2.34
Hong Kong (\$)	12.63	Turkey (lira)	321.851
Ireland (punts)	1.10	USA (\$)	1.64

Source: Thomas Cook  
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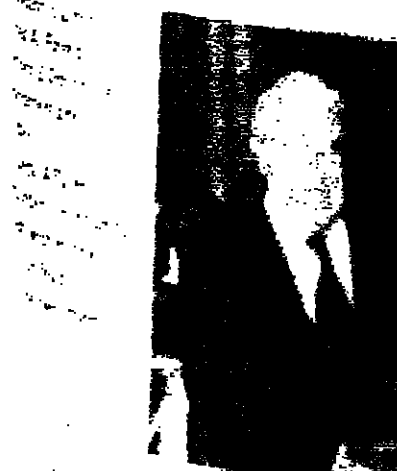
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## Reconciliation, maybe. But not the truth

Never had truth and reconciliation in South Africa seemed so irreconcilable. Mary Braid watched a sickening spectacle unfold yesterday at the end of the hearings into Winnie Mandela's alleged involvement in an array of murders and assaults.

The nine-day hearing was stuffed with grotesque moments, but yesterday's were the worst. Taking the stand after eight days of damning testimony against her, Winnie Mandela held up well at first. Her strategy was blanket denial, shifting all the blame to the media and her political opponents.

Now she seemed flustered as she struggled to maintain her alibi for the day the 14-year-old activist Stompie Seipei Mooketsi, who later died, was severely assaulted in her home.

It was one of the few real challenges to a woman with many questions to answer from many families. But Archbishop Desmond Tutu, chairman of the Truth and Reconciliation Commission, the body charged with exposing the horrors of the apartheid era, kept pressing the lawyer challenging Mrs Mandela, to wind up.

Suddenly a premature finale materialised, as if from nowhere. While the cross-examination by lawyers acting for Mrs Mandela's alleged victims was still under way, the archbishop invited all those who claimed to have suffered at the hands of Mrs Mandela and her vigilantes, the Mandela United Football Club, to come forward.

Suddenly Joyce Seipei, Stompie's mother, was embracing Mrs Mandela, the woman already convicted of taking part in the kidnap of her son, and who this week was also accused by several witnesses of brutally assaulting him before his death.

The cameras clicked as the archbishop gave a sermon about the healing of a nation. It was as if the commission had realised Mrs Mandela would not bend. It offered sham reconciliation in the absence of truth or even a glimmer of contrition.

Not everyone was fooled. A farce was the way some families, anticipating events, described the hearings half an hour earlier, when they stormed out the hall. "She's the woman who murdered our children," screamed Caroline Sono outside the hearing. She remembers Mrs Mandela calling her son "a dog" just before his disappearance in 1988. Mrs Sono said the TRC hearing had amounted to nothing. "Nothing has been done. There's no justice in this land."

Mrs Mandela was implicated in the disappearance of Lolo this week. Mrs Sono's husband, Nicodemus, testified that Mrs Mandela and members of the football club had brought Sono's battered body to his home in the back of a van in November



Joyce Seipei (left), the mother of the murdered teenage activist Stompie Mooketsi Seipei, is embraced by Winnie Mandela at the Truth and Reconciliation Commission hearing in Johannesburg yesterday. Photograph: Adil Bradlow/AP

1988. He claimed he begged for Lolo's life but Mrs Mandela had said he had sold out and the movement would decide what to do with him. That was the last time Lolo was seen alive.

On Wednesday Jerry Richardson, former coach of the football team, now serving life for Stompie's murder, said he had killed Lolo and his friend Siboniso Tshabalala on Mrs Mandela's orders.

Yesterday Mrs Mandela denied ordering anyone's death. Every charge was "ludicrous" or "lunacy". And just as witnesses mysteriously disappeared before the trial for Stompie's kidnapping, assault and murder, so witnesses failed to show this week.

Michael Seakamela had been expected to tell the commission that he had driven

Mrs Mandela and the injured Lolo to Lolo's home. The TRC warned Mrs Mandela about intimidating witnesses. But all that was forgotten yesterday when Mrs Mandela finally finished being cross-examined. A tearful Archbishop Tutu begged Mrs Mandela just to admit that things had gone wrong and say sorry. She did not have to specify what those "things" were. She duly obliged.

What followed was a bizarre mixture of pantomime and pure Hollywood. There were flowers for the diva as she was welcomed back with emotion into the fold. Mrs Mandela embraced everyone.

If proof were needed that South Africa had gone mad it was the sight of Jerry Richardson, her mentally disturbed former

henchman, handing out greetings cards to everyone he could find. And all this for a woman who was for eight days portrayed as a violent despot who orchestrated a reign of terror in Soweto through the football club thugs she housed at the back of her home. All this for the woman who denied every accusation levelled against her and rubbished almost every witness.

At the beginning of these hearings, Mrs Mandela was urged by Peter Storey, a bishop in South Africa's Methodist Church, to unburden herself of the sins of the past. It is through these quasi-religious acts of con-

fession that South Africa is supposed to heal itself and go forward. But yesterday was simply a final show of defiance by Mrs Mandela who had refused to seek amnesty from the Commission in spite of the advice of the African National Congress.

Either Mrs Mandela lied to her back teeth or she is the victim of an elaborate political conspiracy. In two weeks Mrs Mandela will contest the deputy leadership of the ANC, a post that would put her within striking distance of the presidency. That must chill the heart of men like Mr Cachalia.

### MURDERS IN WHICH WINNIE WAS IMPLICATED

Among the murders in which witnesses at the hearings implicated Mrs Mandela were:  
1 The assault and murder of Stompie Seipei Mooketsi, 14, at the end of 1988. Gerry Richardson, former "coach" of the notorious Mandela United Football Club, claims he carried out the murder on Mrs Mandela's orders after the boy was beaten by her and the football team until he was almost dead. Stompie, it is claimed, was thought to be a police spy.  
2 The murder of Dr Abu Baker Asvat in his surgery in January 1989. Two men, serving life

for his murder, now claim they were paid by Mrs Mandela to kill him. Its claimed the doctor had been asked to examine a badly beaten Stompie by Mrs Mandela and that he was assassinated because he knew too much about the boy's death.

3 The murder of Kuki Zwane in December 1988. Richardson claims he killed Ms Zwane on Mrs Mandela's orders after Mrs Mandela branded her a spy.

4 and 5 Lolo Sono and Siboniso Tshabalala, who disappeared in November 1988 after al-

legedly being questioned and assaulted at Mrs Mandela's house. Richardson claims he killed them on Mrs Mandela's instructions because she suspected they were informers.  
6 The death of Fanie Msomi, 13, shot during an attack on a Soweto home earlier in 1988. The attack was allegedly carried out by the club on Mrs Mandela's orders in revenge for the murder of a football club member.

Mrs Mandela was also asked about at least five other murders during the hearing and an array of violent assaults.

### Fayed offered me £10m to lie to MPs' committee, says Tiny Rowland

Tiny Rowland claims Mohamed Al Fayed offered him £10m to lie to a Parliamentary committee. Michael Streeter, Legal Affairs Correspondent, recounts the latest twist in the long-running feud between the two men.



Tiny Rowland (left) and Mohamed Al Fayed make up in 1993 after ending their row over the ownership of Harrods store

Even by the standards of the long-running war between Mr Rowland and Mr Fayed, the allegations are startling. In High Court writs Mr Rowland claims that the Harrods boss offered him a £10m bribe to lie to the Select Committee on Standards and Privileges.

The former head of Loro who also alleges that the Harrods owner was prepared to hand him ownership of exclusive shirtmakers Turnbull & Asser, and tried to blackmail him by promising to return reportedly damaging documents about him if Mr Rowland gave the false evidence.

At the time, Mr Fayed was alleging that the former cabinet minister Michael Howard had accepted a payment of £1m or £1.5m to start a Department of Trade and Industry inquiry into the Egyptian businessman's takeover of Harrods. The claims were firmly dismissed by the committee in March.

The bribery allegations, "categorically" denied yesterday by Mr Fayed, came just after he withdrew a libel action over a *Vanity Fair* magazine article which accused him of racial and sexual harassment.

The new claims are contained in a civil action brought by Mr Rowland claiming that Mr Fayed and five other people broke into his safety deposit box at the Knightsbridge store in December 1995, allegations first made by the former MP, Neil Hamilton, in October.

In a series of writs lodged with the High Court, it is said that the box was opened to search for material which could be used to put pressure on Mr Rowland to back Mr Fayed's al-

legation against Mr Howard. The box apparently contained documents and audio tapes, together with jewels and other valuables.

The writ against Mr Fayed alleges that while he was present two of his staff went through the contents of the box and photographed some of the documents.

More documents were copied, and the tapes removed for copying, after the box was again broken into the following evening. The tapes were replaced after a third break-in. Some of the valuables were "stolen", it is alleged.

The writs are against Mr Fayed, his assistant Mark Griffiths, his director of security John Macnamara, his body-

guard Paul Handley-Greaves, senior security manager John Allen, and the safe deposits manager, Colin Dalman.

Mr Rowland alleges that they conspired together, and with Nancy Bush and Robert Loftus, wrongfully to interfere with his goods by committing trespass and/or wrongful conversion: to induce a breach of the hire contract relating to the box, and to infringe his copyright in letters and recordings.

Mr Rowland claims that before the break-in a series of letters from Mr Al Fayed and his staff had - vainly - tried to persuade him to give false evidence.

The attempts to buy the retired tycoon's evidence came later, according to the writs.

In one it is stated that during a lunch at Harrods in about March 1996, "the defendant claimed he had information and/or documents damaging to the plaintiff, showed him a brown envelope which he claimed contained such material, and told him he could have the contents of the envelope, together with ownership of Turnbull & Asser ... and a cash payment of £10m if he gave evidence to the aforesaid select committee".

Mr Rowland is seeking damages, the return of any property in the defendants' possession, and an injunction to prevent unauthorised copying of the letters and tapes.

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## EU ducks and dives over tobacco ban

The ambitious campaign by the European Commission to ban tobacco advertising has taken a knock from Britain, and now Spain. Katherine Butler reports from Brussels.

Britain was offered eight years to wean Formula One and other sporting or arts events off tobacco sponsorship last night to secure the Government's backing for a controversial EU ban on cigarette advertising.

Under pressure from European health ministers the Commission, which has been seeking a blanket ban on all forms of tobacco advertising and sponsorship for the past 10 years, appeared ready to bow to a series of other national demands to muster a majority in favour of the measure.

A surprise move by Spain, which switched camps to reverse its support for a ban early yesterday, plunged supporters into despondency as backing for a compromise formula had been finely balanced, with four member-states. Germany, Austria, Greece and Denmark, ranged against it.

A second compromise offering Britain an eight-year phase-in for a sponsorship ban on events "organised at world level" and giving Greece the right to display tobacco ads at street-corner kiosks, looked enough to clinch a deal, even without Spain's approval.

But the threat of a total ban on indirect advertising, sponsorship and promotional gifts fell away as the Commission eased proposals which would have banned the marketing of clothing and luxury goods by tobacco manufacturers.

Faced with a hail of protests about legal obstacles related to trademark law, it revised the

threat, to allow existing products such as Camel boots or Marlboro T-shirts to continue to be sold subject to certain constraints. Under the deal expected to be agreed late last night, assuming Britain accepted the eight-year time-frame for Formula One sponsorship, EU governments, all of which already ban tobacco advertising on television, would ban publicity in the written press and on billboards.

They would have two years to implement the measure.

Sponsorship deals could continue for all sports for a further two years and a further four-year exemption could be allowed for sporting or cultural events "organised at world level".

Organisers would be required to demonstrate that they were replacing tobacco money with alternative sponsors during that time and to reduce the visibility of cigarette brand emblems and logos at events.

Cigarette advertising in specialist tobacco industry magazines and in publications imported from outside the EU, for example copies of *Time* or *Newsweek* published in the US, could also continue.

Padraig Flynn the EU commissioner for health policy, strongly urged governments to accept the compromise warning that it would be many years before a new attempt to restrict advertising could be launched if it failed.

There was criticism however from governments which said the watered-down version of the proposals inflicted serious damage on effectiveness of a ban. Brian Cowen, the Irish health minister, said: "I am disappointed at efforts to water this down."

Quite clearly, vested interests in the tobacco industry and in sport are very strongly influencing the proceedings.



A 40ft pile of beans grown in Ruspur, West Sussex, using fertiliser from recycled waste organic solids from Southern Water. The broad beans, which will be used for cattle feed, are the first crop grown at the experimental farm. Photograph: Philip Meech

## Double 'sting' costs Foreign Office £442,000

The Foreign Office has lost £442,000 as a result of a double 'sting' at the British embassy in Amman. Anthony Bevis, Political Editor, reports on two accountants and a modern Aladdin's Cave.

Last year, MPs were told by Sir John Bourn, the Comptroller and Auditor General, that a locally engaged accountant in the British Embassy in Jordan had "forged life certificates and encashed payable orders for over 20 years in respect of pensioners who had previously died."

The accountant, Zureik, for whom no other name is provided, is believed to have got away with £330,000, and

the National Audit Office made a number of recommendations to tighten up procedures in Amman, described as "a particularly vulnerable post".

Because of the Zureik "sting", when a new senior management officer arrived in Amman last June, he was very much on his toes, and he noticed that the occupants of some of the embassy's residential properties "appeared to be consuming significantly more fuel than others".

On being asked to investigate, his assistant "found that a number of oil deliveries were for identical amounts", and she discovered "that duplicate payments had been made as a result of the presentation of different copies of the same invoices".

The man who replaced Mr Zureik was Mr Shehadeh, for whom no other

name is provided, and it appears that between 1993 and last June he was in the habit of submitting two copies of the same diesel fuel delivery invoice for signed authorisation by the embassy's senior management officer.

The top, pink copy, was quite properly used to support cheque payment to the supplier - but, then, Mr Shehadeh would use the duplicate, green delivery note to support a cash payment into an account which he controlled.

"To forestall detection," Sir John explained, "the two payments were so arranged that they appeared on the embassy's accounts in different periods."

Mr Shehadeh also submitted falsified invoices for utility supplies, like electricity, as well as stationery and

postage, using a variety of techniques to get the senior management officer's authorisation for payment.

Because records have been destroyed for the seven years to 1993, when Mr Shehadeh was working as an accountant in the embassy, the precise loss is not known.

Mr Shehadeh, who denies all the accusations made against him - yesterday's report attracts parliamentary privilege for purposes of defamation - is currently being held on remand pending criminal and civil trials.

As for the senior management officer who signed the authorisations, he left Amman in April and has had unspecified "disciplinary action taken against him". He is not named, and his fate is not known.

## Angler nets four fish a minute for five hours

Angler Jimmy Powell proved that little fish are sweet when he caught 1,100 in just five hours to win a contest on the flooded River Wye in Hereford and Worcester.

The 40-year-old factory stores manager landed almost four fish every minute in the tournament last Sunday. More than half the 200 anglers who had been expected to compete in the event failed to turn up because the swollen river was running so high that they despaired of catching anything.

But Mr Powell had no complaints as his keep net began to bulge with bleak - a tiny silver coloured flat fish the size of whitebait. A shoal of the fish were sheltering from the strong current behind a fallen tree trunk which was wedged against the bank at the spot where Mr Powell had been drawn to fish in the contest.

"I've never caught so many fish in my life," said the former Welsh international. "My arms and shoulder blades are still aching now - I've run half marathons and not felt that shattered."

"The river was chocolate brown and the current was so strong some tree trunks floated past me at about 30 miles an hour. All the fish were looking for a sheltered spot and they were not expecting to be caught. Most of the time I was catching eight or ten fish with each maggots. They were chewing on the bait and I just shook them off my barbed hook into the net."

Mr Powell's incredible haul only weighed 25lb 3/4oz but was sufficient to win the £200 first prize in the Hereford and District Angling Association's Wye Charity Match. The chairman of the association, Ray Bryan, said: "It was an incredible achievement. Most people took one look at the river and thought that there was no way they were going to catch fish."

Even so, Mr Powell, of Victoria Park, Hereford, believes that his haul is not a record breaker. An angler called Steve Thomas - nicknamed "the bionic bleaker" - is reputed to have caught 1,800 bleak in another five-hour contest on the Wye.

All the fish in the latest tournament were put back in the river alive.

— Richard Smith

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## Opera House chief defiant as entire board agrees to go

The chairman and board of the Royal Opera House resigned yesterday following a damning Commons report. But the chief executive told David Lister, Arts News Editor, that she will be staying put.

Mary Allen refused last night to bow to the Commons committee's call that she should quit, as she saw her chairman, Lord Chaddington, and the entire board hand in their resignations.

Lord Chaddington, brother of the former Tory Cabinet minister John Gummer, said he was resigning as a matter of honour. The other directors tendered their resignations, but have been asked by the Secretary of State for Culture, Media and Sport, Chris Smith, to stay on while he reconstitutes the board.

Mr Smith is likely to ask key board members such as fund-raiser Vivien Duffield and Labour benefactor and publisher Bob Gavron to stay on. Mr Gavron may yet end up as the new chairman of the ROH.

Mrs Allen disclosed last night that she did offer to resign. But, she said, her offer was "emphatically and unanimously rejected by the board." She added that Mr Smith had told her at an afternoon meeting that it would be "disastrously destabilising" if she went, and that Covent Garden music director Bernard Haitink had also implored her to stay.

"It has been an appallingly upsetting few days," she said last night, "but I am staying. I offered my resignation because I thought it the proper thing to do, but it was rejected. The board is the only body empowered to require my resignation. I reject the criticisms of the select committee utterly and there is evidence that exonerates me totally."

Earlier this week, the Culture Select Committee, chaired by Gerald Kaufman MP, accused the ROH of incompetent management and called on the chairman, chief executive and board to resign. Yesterday Mr Kaufman hinted he was still not satisfied with two out of the three demands accomplished. He said: "Lord Chaddington has done the right thing. I take no pleasure in the fact that he has felt it appropriate to resign but I am sure that he has acted appropriately in doing so."

"The committee recommended that the remainder of the board and the chief executive should also resign, and we therefore await developments with interest."

Lord Chaddington told the board that he was resigning at an emergency meeting held at 8.30am yesterday. He had told friends just before the meeting that he was going "to do a Carrington".

This referred to Lord Carrington's decision to resign as Foreign Secretary from Margaret Thatcher's Conservative government over the Falklands War in 1982.

Lord Chaddington said yesterday: "When a public document criticises the management of a public body, I believe that it is right that the chairman resigns as a matter of honour. We must, in public life, show a lead, and that is what I am doing."

It is also believed that the board recognised that some sort of sacrifice must be made, and it is understood that no concerted attempt was made to stop Lord Chaddington going. The deputy chairman, Sir James Spunner, will be the acting chairman. The board gave Mary Allen "unanimous support" at its meeting yesterday.

Responding to yesterday's announcement, Mr Smith said: "The Royal Opera House board have come to this decision themselves, as an independent body. The absolute imperative ... is to maintain confidence in the Royal Opera House companies and in the redevelopment scheme. It is therefore welcome that the board has agreed to continue, to ensure stability, until a newly constituted board is in place."

"I join the Board of the Royal Opera House in paying tribute to the work of Lord Chaddington. He has sought to bring changes to the structure of the ROH. The new board will be able to build on this foundation."

The Culture Select Committee's report was withering in its condemnation of almost every person involved in the Royal Opera House crisis.

It demanded the Royal Opera House board dissolve itself and that Mary Allen resign, handing over control of the Opera House during its current £216m renovation to an administrator appointed by Mr Smith.

"We would prefer to see the House run by a phillistine with the requisite financial acumen than by the succession of opera and ballet lovers who have brought a great and valuable institution to its knees," it said.



House of pain: Karita Mattila in *Elektra*, one of the last performances at the ROH before the venue's closure for a £78m renovation and improvement programme. Photograph: Ben Christopher/Performing Arts Library

## Eyre chosen for history of theatre

Sir Richard Eyre is to present a six-part history of the British theatre for the BBC in a move that continues the trend away from "young blondes" presenting arts programmes.

Sir Richard, former artistic director of the National Theatre, follows in the footsteps of Neil MacGregor, the director of the National Gallery who recently presented the *Making Masterpieces* series on painting for the BBC.

The use of art world professionals rather than photogenic television presenters reflects a commitment to "serious TV" made by BBC2 controller Mark Thompson in a speech to the television industry last week.

The Sir Richard Eyre series, *Changing Stages*, will be based on his personal view of the trends, major events and senior figures in the British theatre during this century. The programme will be made next year and will be broadcast in 1999. The producer, Andrea Miller, plans to make extensive use of film and sound archives to bring to life stage plays from throughout the century.

Sir Richard plans to look at how social and political trends of different eras were reflected in the theatre, from the Edwardian heyday of George Bernard Shaw and Lilian Bayless, through the kitchen-sink drama period of John Osborne, to the present.

Mr Thompson is known to believe that a new approach is needed to arts programmes in the Nineties to move the genre on from shows like *The Late Show*.

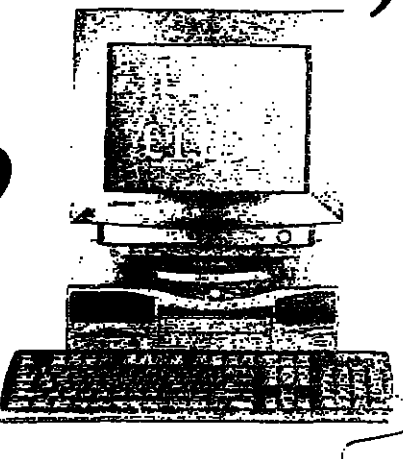
He believes programmes like those, which were based on a structuralist approach to art, had a limited shelf life because "once you deconstruct something, it stays deconstructed", he said. Structuralist arts programmes presented by bright young things were, he believes, a one-trick game which too often sneered at art. Now he is looking for presenters with enthusiasm for their subjects.

Further proof of Mr Thompson's desire for heavyweight programmes regardless of their ratings potential is the commission of a series on existentialist intellectuals. The documentary strand, *Human All Too Human*, will cover Nietzsche, Heidegger and Sartre.

More accessible is *Watching the Detectives*, a series of tributes to great crime writers and their fictional creations. It is to be presented by Nigel Williams and will feature programmes presented in the style of Sherlock Holmes, Hercule Poirot, Philip Marlowe and Inspector Maigret.

— Paul McCann, Media Correspondent

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## Media gag on prisoners

The Court of Appeal yesterday backed the attempt by the Home Secretary, Jack Straw, to gag convicted prisoners from talking to the media. A test case means that while prisoners will still be able to write to journalists, they will be barred from face-to-face meetings except at the discretion of the authorities.

The decision is a major blow for those working on miscarriage of justice cases and undermines claims by ministers that they support more open government. Journalist Robert Woffinden, author of *Miscarriages of Justice*, who interviewed one of the prisoners involved in the test case, said: "I believe it is a very unfair restriction on prisoners and an absurd restriction on journalists."

A spokesman for the Prison Service said they were "very pleased" with the ruling, which returned the legal situation to its previous position.

In yesterday's case three appeal judges overturned the decision that the restrictions on convicted prisoners interfered with their freedom of expression under the European Convention on Human Rights. Lord Justice Kennedy said: "The loss of that 'right' ... is part and parcel of a sentence of imprisonment. He can no longer go where he wishes. He is confined."

— Michael Streeter  
Legal Affairs Correspondent



Stage craft: Six-year-olds from the Claire Severs Dance Academy in Hampstead, north London, rehearsing in a church hall for their Christmas performance of *Mary Poppins*, to be held at Parliament Hill Girls' School this Sunday. Photograph: Laurie Lewis

## Pathfinder shows Mars was rich in water

Mars probably had abundant water in its long-distant past, according to American scientists who today present the first formal results from the Mars Pathfinder mission. The planet is also more Earth-like than had been thought, with a crust made from a wide variety of materials, and geologically active areas.

Although the batteries on the Pathfinder lander, which arrived on the planet on 4 July, have now run down, they managed to transmit back huge amounts of data about the atmosphere and the rocks around the landing site. There, the

scattered, rounded pebbles and cobbles implied it was once a "water-rich" environment. Writing today in the journal *Science*, a team led by Matthew Golombek, of NASA's Jet Propulsion Laboratory in Pasadena, California, noted that some of these pebbles

could have been liberated by larger sedimentary rocks called conglomerates. This suggested that water existed elsewhere and earlier than in the flood believed to have carved out the valley where Pathfinder landed. The finding is helpful for

scientists who have maintained that a Mars meteorite shows evidence of past microbial life — a claim that has not been backed by other independent scientists. If Mars once had plentiful water, it could have provided the basis for life.

— Charles Arthur  
Science Editor

## Virgin must pay up for fares blunder

Virgin Trains tried raising the price of some of its cheap 'walk-on' fares by six times the rate of inflation earlier this year. Randeep Ramesh, Transport Correspondent, explains why the price hike has meant Richard Branson will have to hand back £24,000 to his passengers.

"We are in talks with Virgin at the moment about how to compensate passengers," said an ORR spokesman.

Barry Doe, the transport consultant who unearthed the mis-selling, said: "It would be wrong to blame the clerks because Virgin management failed to spot this error."

The problem for Virgin and the regulator is it will be difficult for passengers to prove that they were sold the wrong tickets. One suggestion would be to give a sizeable sum to charity and still compensate those passengers with "genuine claims."

"We would consider some sort of charitable donation as a good will gesture," said John Morris, public relations manager for Virgin Trains. Sources within Virgin suggested a contribution to the Diana, Princess of Wales memorial fund.

The company has backtracked since *The Independent* first raised the issue. In September, the chief executive of Virgin Trains wrote a letter to the editor, which was published, saying: "We normally respect Randeep Ramesh's reporting of the transport industry but on this occasion he's gone off the rails."

Pressure groups welcomed the decision to make Virgin pay. "It is good to see that in response to vigorous representations the regulator will now force Virgin to make good on its mistake," said Jonathan Bray, director of Save Our Railways.

● Hundreds of passengers were evacuated from a train yesterday after a fire broke out in one of the locomotives.

The travellers were all taken off the Virgin West Coast service and put on to another train at Wembley Central Station, in north-west London.

Travellers on the Virgin network have a choice of two fare scales. The first involves a change of trains in London and the second takes them around the Capital on a "through train". The second option was always cheaper than the first — until June, when Virgin raised the price of its "through" fares by 15 per cent, making it the pricier option.

However, ticket clerks did not realise the extent of the price hike and continued selling the "through" tickets to passengers as the "cheapest fare".

The price rise angered rail pressure groups and following a campaign in *The Independent*, the rail regulator has acted.

In a letter, John Rhodes, passenger service director at the Office of the Rail Regulator (ORR), wrote: "any instances of mis-selling of tickets is a serious matter and I have obtained an assurance from Virgin that passengers who have been overcharged will be compensated."

ORR confirmed that more than 2,000 tickets had been mis-sold. The average "excess charge" for each ticket is about £12 — leaving Virgin with an estimated bill of £24,000.

## DAILY POEM

### Inversnaid

By Gerard Manley Hopkins

*This darksome burn, horseback brown,  
His rollock highroad roaring down,  
In coop and in comb the fleece of his foam  
Flutes and low to the lake falls home.*

*A windpuff-bonnet of fawn-frith  
Turns and twiddles over the broth  
Of a pool so pitchblack, fell-frowning,  
It rounds and rounds Despair to drowning.*

*Deeged with dew, dappled with dew  
Are the groins of the braes that the brook reads through,  
Wiry heathpicks, flitches of fern,  
And the beadbonny ash that sits over the burn.*

*What would the world be, once bereft  
Of wet and of wildness? Let them be left,  
O let them be left, wildness and wet;  
Long live the weeds and the wilderness yet.*

"Inversnaid" completes our selection from the seventh edition of *Poems on the Underground*, edited by Gerard Benson, Judith Chernaik and Cicely Herbert (Cassell, £12.99).

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## Why a baby born in the South will live 6 years longer

Cambridge is the healthiest place to live in England, and Manchester is the country's death capital. Jeremy Lorraine, Health Editor, examines a study which shows that differences in life expectancy are widening.

A boy born today in Cambridge can expect to live to the age of 76 years and seven months - six years and eight months longer than a boy born in Manchester.

The gap between the healthiest and least healthy parts of Britain is now so wide that closing it would dwarf all other efforts to improve health. Even if all cancer was cured tomorrow, the gain in life expectancy would be just three years.

The first study comparing life expectancy in all 105 health authority districts of England, published today in the *Journal of Epidemiology and Community Health*, shows that the gap has widened over the last 10 years. Affluent districts with the longest-lived people in the Eighties have gained almost three times more years than the poorest districts.

In the leafy home counties of Surrey and Hampshire, life expectancy has risen 2.8 years while in inner-city Manchester and Liverpool it has increased by only one year. Men in inner

### US DISPARITY

A man living in Washington DC, the capital of the richest country in the world, has a life expectancy of only 62 years, barely higher than if he lived in many Third World countries. But a man living less than 20 miles away, in Virginia's prosperous Fairfax County, can expect to live more than 15 years longer.

This is one of the preliminary findings of a study being conducted jointly by the Harvard School of Public Health in Boston and the Centers for Disease Control and Prevention in Atlanta. It notes that the disparity between the best and worst life expectancy has been growing, with the lowest 2 per cent registering no increase since 1980. The income gap has also widened over the same period.

Manchester and Liverpool have shown almost no improvement.

The study, by Veena Soni Raleigh and Victor Kiri of the National Institute of Epidemiology at the University of Surrey, ranked the districts from one to seven according to how deprived they were using a measure known as the Jarman index, based on unemployment rates, number of one-parent families, elderly living alone, and so on.

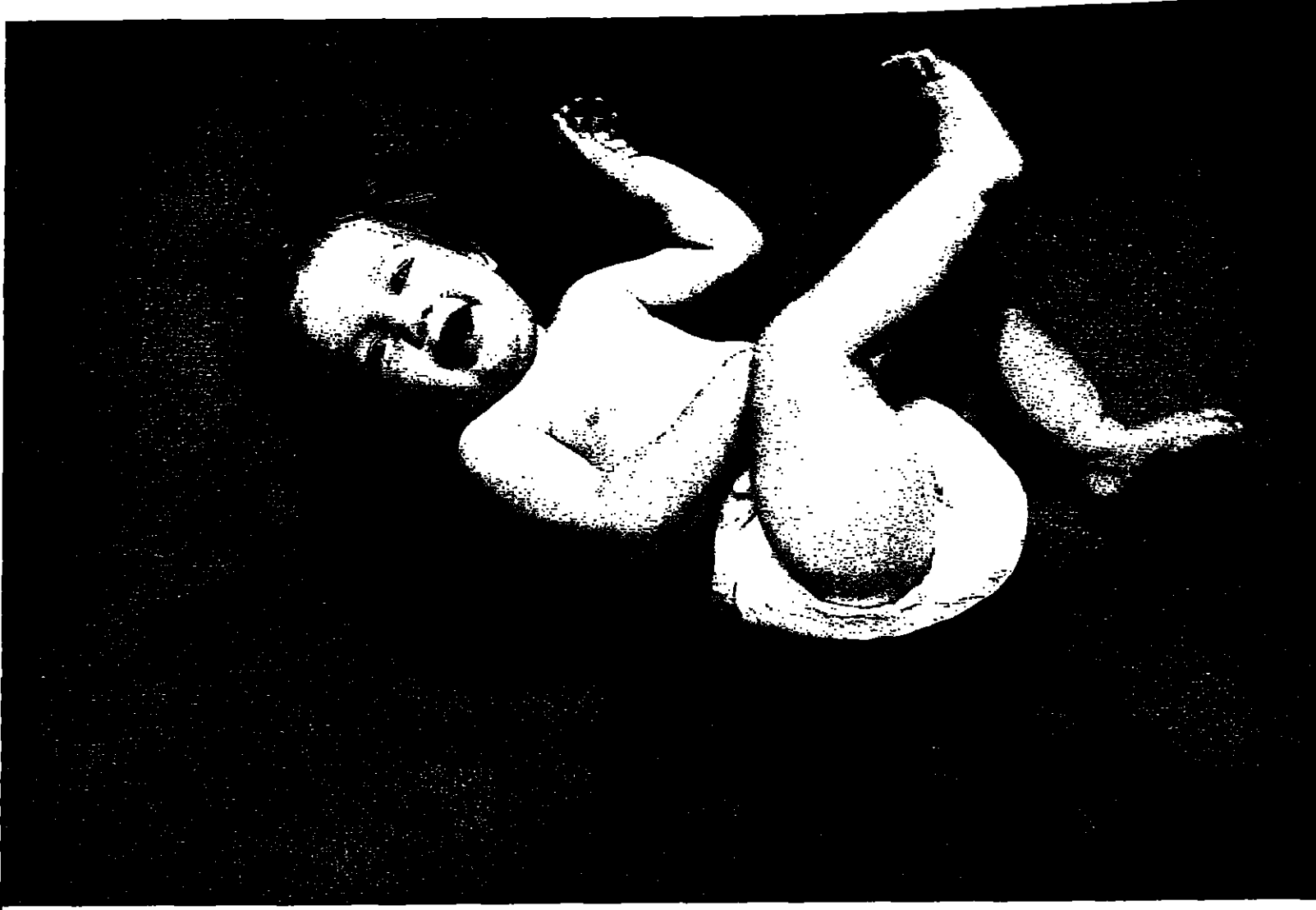
As expected, the findings showed a strong association between life expectancy and the deprivation score. The five dis-

tricts with the greatest deprivation (ranked seven) - in Manchester, Liverpool and three in inner London - also had the lowest life expectancy. Ms Soni Raleigh said: "That is a telling point. Life expectancy in the most deprived areas is still below what it was in the most affluent areas 10 years ago."

Living in the most deprived areas takes four years off your life, on average, for a man and two and a half years for a woman compared with living in the most affluent (ranked one).

In all areas women live longer than men, but the gender gap is widest in deprived areas. Women in inner London, Manchester and Liverpool live an extra seven years compared with four and a half in Cambridge and Surrey. Although gender differences are narrowing overall, in the most deprived areas they have hardly changed.

Dr Richard Smith, editor of the *British Medical Journal* and publisher of the *Journal of Epidemiology*, said the findings illustrated the scale of the problem facing the Government which is committed to reducing health inequalities. Measures to improve the health of children and the new born - including nutrition in pregnancy, stopping mothers smoking and pre-school education - were likely to have the greatest effect. "We have got the ship going in the wrong direction. To turn it round will be a long-term job," he said.



Life chances: As the gap between the healthiest and the least healthy areas widens, affluent districts gain years of life. Photograph: David Swanborough

## Care in old age to be funded by insurance

A Royal Commission on the long term care for the elderly was announced yesterday by Frank Dobson, the Secretary of State for Health, with a clear signal that it is likely to recommend that everyone should pay something towards their own long term care in old age through insurance.

Mr Dobson told MPs he had asked the Royal Commission chaired by Sir Stewart Sutherland, principal and vice-chancellor of Edinburgh University,

to report back within 12 months on ways of dealing with the problem of paying for means-tested long-term care.

"As far as where the funding should come from, the matter is open," he said. "It seems to me fairly likely that in the end there will be a proposition that some of the funding should be by the individual and some by the taxpayer. I am not telling them to come to that conclusion but I will be amazed if they don't."

Des Le Grys, chairman of

the continuing care conference, an umbrella organisation for carers and insurers, said private insurance was likely to be recommended with public sector support.

He said it was unlikely the Royal Commission would revive the Tory government's plans for insurance to cover the asset value of people's houses, but a new insurance scheme would need policing. Help the Aged said the commission needed to end the confusion facing the elderly.

The 300,000 elderly in homes have to pay their own bills for long-term care if they have assets worth more than £16,000. Mr Dobson confirmed a White Paper next year will set standards for domiciliary care.

A draft Tory Bill would have allowed the means test to disregard assets worth £1.50 for every £1 covered by insurance, but it fell with the Tory government at the last election.

The Liberal Democrat spokesman on health, Simon

Hughes, was assured by Mr Dobson the commission would look into the quality of care in old people's homes.

Members of the commission will include: Claire Rayner, the broadcaster; David Lipsey, political editor of the *Economist*; Sir Nicholas Goodison, former chairman of the Stock Exchange; and a number of medical experts, but it does not include the lobby groups.

— Colin Brown, Chief Political Correspondent

## NHS bill may put £20 on car premiums

Car insurance premiums could rise by an average of £20 after the announcement by Frank Dobson, the Secretary of State for Health, that hospitals are to use their right to charge insurance companies for treating accident victims.

Mr Dobson ordered all NHS trusts to use their existing powers to charge insurance companies up to £2,949 for in-patients and £295 for out-patients for treatment after road traffic accidents.

Confirming a report in yesterday's *Independent*, Mr Dobson said the Government would introduce legislation when it had Parliamentary time to put the onus on insurers to make the payments.


The Government estimates the move could save the NHS £100m but some insurers estimated it could raise the cost of an average annual premium by £20 to £30.

The NHS trusts will be asked to identify cases where

they have treated traffic accident victims and where somebody else seems likely to have caused the accident; find out whether those patients are claiming compensation; discover who the insurers are; and lodge claims.

Mr Dobson told the trusts that they should pursue their claims "vigorously" and should not be put off by the paper chase, which had stopped many from using their powers.

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# Tories retreat

## from pledge on Europe

Adams and McGuinness to take their Commons fight to Strasbourg



Sinn Féin's two MPs plan to take their case to be granted the use of House of Commons facilities to the European Court of Human Rights, after a second ruling by the Speaker that

Later, Ms Boothroyd issued a statement in which she said she had no choice but to exclude the two men. They were asking for "associate status" in the House and no such status ex-

**The Conservatives have performed a complete U-turn on their call for a referendum to be held on the Treaty of Amsterdam. Anthony Bevin, Political Editor, watched the move in the Commons last night**

**William Hague and Michael Howard, Tory spokesman, are refusing to pick up a back-bench Tory amendment to the legislation on the Amsterdam treaty, calling for the electorate to be given a referendum.**

*The Independent* has been told that the party leadership is now embarrassed by Mr Hague's first major speech as party leader, last June, when he told Scots Tories in Perth that the public deserved a voice on the treaty that Tony Blair had agreed earlier that month, soon after the election.

Mr Hague said Labour was a rootless party, without principles, and he pledged that he would not be ditching his beliefs at the behest of focus groups.

In the same speech, Mr Hague said Amsterdam was a bad treaty, "Bad for Europe and bad for Britain", and as Labour was so keen on referendums, he invited them to stage another: "Let's have a referendum on the Amsterdam treaty."

But Tory Euro-sceptics have noted that since the Commons opened its examination of the European Communities (Amendment) Bill, enacting Amsterdam, Tory spokesmen have been muted. More obvi-

ously, however, a backbench amendment offering the people referendum on the treaty did not attract support of the front-

Signed by four of the Tory backbenchers who had the party whip withdrawn from them in the last Parliament – Richard Shepherd, Sir Teddy Taylor, Teresa Gorman and Christopher Gill, along with two “new boys” John Bercow and Julian Lewis – it is not known when the amendment will come up for debate and vote.

Last night, opening a Commons debate on Europe, Robin Cook, the Foreign Secretary, mocked the Tory stance, saying that even Mr Howard now seemed uncertain of popular support for his line on Europe.

"He has not once asked me to put the Amsterdam Treaty to a vote of the people in a referendum," Mr Cook said to Labour laughter.

However, he pointed out that Mr Howard had now been rescued by the courage and vigour of his own backbench colleagues, with their amendment to the legislation.

Later, Mr Cook directly challenged Mr Howard, asking whether he would be recommending a vote for the back-bench amendment - but Mr Howard completely ducked the question and dissociated the front bench from its previous policy saying: "It is the Gov-

policy saying: "It is the Government that is so besotted with referendums. If the Government is so keen on referendums.....then we certainly say that the logic of the government position is that it should have one on Amsterdam."



**Locked out: Gerry Adams and Martin McGuinness after their meeting with the Speaker**

Photograph: David Rose

Sinn Féin's two MPs plan to take their case to be granted the use of House of Commons facilities to the European Court of Human Rights, after a second ruling by the Speaker that they should be excluded.

They should be executed.

Gerry Adams and Martin McGuinness, who were elected in May for West Belfast and Mid-Ulster said they did not intend to take their seats or speak in the chamber and so would not need to take the Oath of Allegiance to the Crown. But after a half-hour meeting with Betty Boothroyd yesterday, they emerged to say they had been rebuffed again, as they had been in May.

Mr Adams said the decision showed that Irish republicans were still treated as second-class citizens in Westminster.

"There is a case going to Europe and that will proceed," he said. "The ruling by the Speaker was discriminatory, it was quite unjust and very unfair and it needs to be redressed."

Later, Ms Boothroyd issued a statement in which she said she had no choice but to exclude the two men. They were asking for "associate status" in the House and no such status existed, she said. The two men would continue to be entitled to free stationery with which to answer constituents' queries and would have access to ministers in the same way as other MPs.

"Swearing the Oath - or affirming - is a legal requirement that can not be set aside by administrative action. Primary legislation would be needed to change the Parliamentary Oaths Act or the form of the oath. It is your refusal to swear or affirm that prevents you taking your seats - not any action by me," she told the MPs.

Harry Barnes, MP for North East Derbyshire, said the oath should simply affirm that a members' duties would be faithfully discharged.

— *Fran Abrams,*  
*Political Correspondent*

# Italy backs British entry to euro club

**Tony Blair could win the battle for British entry to the elite club of EU countries planning the single European currency, in spite of the rebuff this week for Gordon Brown.**

The Prime Minister will launch Britain's presidency at Waterloo International station today with renewed hopes of Britain gaining entry to the euro-x committee which will have control over the planning for the single currency.

*The Independent* has learned that Romano Prodi, the Italian Prime Minister, told Tony Blair at a private meeting in Downing Street on Wednesday that Italy will support Britain's bid for membership of the elite club, which includes Italy, France and Germany, at the Luxembourg summit.

The offer made by Mr Prodi, who will be at today's ceremony, has raised hopes in

**Whiteball** that Mr Blair will be able to pull off a deal at the summit next week.

France and Germany are opposed to British membership, but Mr Prodi told the Prime Minister that he believed it was possible to reach a deal at Luxembourg with Britain becoming a non-voting member with "observer" status. Downing Street said the meeting was routine, but it could prove to be highly significant in the build-up to the summit.

Italy's support will be seen as part of a long-term strategy to protect its position in Europe by forging alliances with Britain.

Britain is anxious to be included in the committee to retain its influence over the creation of the euro, and in making sure the terms for entry are observed by other states.

**Colin Brown,**  
**Chief Political Correspondent**



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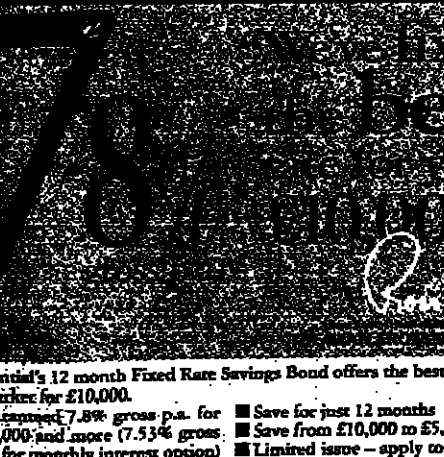
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# 12/BEEF CRISIS

## European farmers wait for epidemic to strike

Britain keeps introducing new measures against BSE - but the focus should really be on the Continent, where a growing number of countries are reporting cases of the disease. Scientists also suspect that worse is to come. Charles Arthur, Science Editor, investigates.

Franz Fischler, the EU Farm Commissioner, made no bones about it yesterday: "The risks from beef, though small, are greater in Britain than elsewhere." But is that unequivocally correct?

As the epidemic tails off in the UK, the number of cases reported in other European countries continues to rise - and with it are suspicions that some farmers there are purposely not reporting cases. Although about 350 have been reported from Continental EU members, statistical analysis suggests there should have been 1,700 cattle with the disease. "There's more infection in other countries - they're at the beginning of their epidemic, rather than the tail end," said Dr Stephen Dealler, an independent expert on BSE and its spread.

Many other countries in the EU have begun to report cases of BSE. Last month, Luxembourg reported its first case, one of 15 indigenous cattle: the disease was blamed by the government on infected feed imported from Belgium - which has never admitted having any BSE cases.

Portugal, Germany, France, Ireland, the Netherlands, Poland, Switzerland, Italy and Denmark have all reported cases - though the total numbers range from one (in Denmark) to more than 200 both in Ireland and

Switzerland. The cause is frequently blamed on animals imported from other countries - especially the UK and Switzerland. On this basis, Germany claims never to have had an "indigenous" case of BSE.

Work by a Dutch researcher, published in the *Veterinary Record*, also suggests many countries are under-reporting BSE cases. By analysing the age of cattle exported from Britain, he estimated that Ireland alone - which has reported 218 cases in all - should have had 1,000.

It also suggests that those countries could be at the start of their own BSE epidemics, as cattle incubating the disease are rendered in meat and bone meal which is then fed back to younger cattle - giving them time to develop full-blown BSE.

Furthermore, countries do not yet remove offal - known to be the most infectious parts of BSE-infected cows - in their slaughterhouses, though that should come into effect from 1 January. Nor do they exclude cattle over 30 months old from the food supply, as happens in the UK.

Britain is still, though, the BSE capital of the world. So far this year there have been 2,898 confirmed cases of "mad-cow disease" in the UK, according to the Ministry of Agriculture, Fisheries and Food; the total since 1987 is 169,472, and the epidemic is not expected to end here before 2001. Only Switzerland comes close - but is a long way off, with 35 cases so far this year, bringing its total since 1990 to 265.

However, if beef muscle does contain the BSE agent, it must be in concentrations hundreds or thousands of times lower than in the spinal or brain tissue. That means that until the regulations removing the spinal cord come into power across Europe, beef from the Continent is potentially more infectious than that in the UK.



Blood money: A butcher pricing beef yesterday at the Smithfield meat market, London

Photograph: Kalpesh Lathigra

### DANGEROUS LIVING

How dangerous is a T-bone steak? If you drive to a restaurant with a new friend, eat a steak (on the bone), walk home, climb the stairs, have unprotected sex, then have a cigarette, which was the most risky? On the basis of the latest fatality statistics and behavioural surveys, this is how dangerous certain activities were in Britain last year.

There was one death from new-variant CJD per 200,000 whole cows consumed; one death of a driver or passenger per 15 million car journeys; one death of a pedestrian per 200 million roads crossed; one fatal fall per 500 million staircases climbed; one death from AIDS for 3 million acts of unsafe sex; one death from lung cancer per 2 million cigarettes smoked.

On these figures, the risk from beef seems very small - about one death per 30 million half-pound portions. Steak is twice as safe as getting into a car and 15 times safer than one cigarette. Yet the risk is still unquantifiable, which is why the Government dares not say "Let them eat steak".

But there is one more figure. In the last two years, there have been 22 deaths from vCJD and 13 deaths from CJD that occurred as a result of a medical procedure. You are more likely to catch CJD from your doctor than a cow.

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## Britain ignores £100m EU aid

The Government was accused yesterday of refusing to claim more than £100m in EU aid. Katherine Butler in Brussels says the money was earmarked specifically for British farmers following the rise in the value of sterling.

CJD). New Zealand's chief medical officer, Colin Feek, said yesterday that the blood product was being recalled as a precautionary measure.

The farmers have complained at the absence of compensation for loss of income arising both from the collapse in the beef market but also from the rise in the value of sterling against other European Union currencies.

Brussels assessed the problem first in June then in August and evaluated the loss suffered by British farmers at £200m. The commission then offered to pay half of this amount. Four months later, there has been still no move to take up the money according to baffled commission officials.

The European Commission said that the Minister of agriculture, Fisheries and Food, Jack Cunningham, was contributing to the growing beef crisis by failing to apply for money allocated to ease the plight of British farmers.

The accusation was levelled at the Government as it emerged that 120 New Zealanders may have been given a blood product derived from a plasma pool whose donors included a Briton who later died from the "new variant" Creutzfeldt-Jakob disease (v-

for pound by national authorities.

EU sources privately speculated that Britain's reluctance to apply for the aid was related to fears that the United Kingdom's annual budget rebate would be reduced as a result.

The transport commissioner, Neil Kinnock, meanwhile met a deputation of Irish farm leaders in Brussels and assured them he would take whatever steps available to the commission to keep the beef trade flowing.

As efforts were made to trace the New Zealanders who may have been given infected blood, a New Zealand Ministry of Health spokeswoman said the risk of developing the disease from receiving the blood product was "very low to zero", but added: "The product is being recalled because it contains a small amount of human albumin [a protein] which is now known to have been prepared from a large blood donation pool that included one donor from Britain who later developed the new variant CJD disease."

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# 13/BEEF CRISIS

THE INDEPENDENT  
FRIDAY 5 DECEMBER 1997  
13

## Anger spreads as protesters rally to the Welsh cause

**As the Government came under increasing pressure yesterday to resolve the Welsh farmers' dispute, the campaign spread to English ports. Tony Heath found the ban on sales of beef on the bone fuelling the anger.**

Farmers in the south-east were last night expected to converge on Dover as their anger at the ban on sales of beef on bone escalated.

In Wales, nearly 200 vehicles, ranging from muckspreaders and tractors to cattle trucks and 4x4s, paraded through Aber-gavenny bringing the Mon-mouthshire market town to a standstill.

Haulage companies whose business is also affected sent vehicles to join the protest which was carefully orchestrated and policed.

Farmers from Herefordshire joined their Welsh counterparts. Hastily produced posters carried messages ranging from "I thought we won the war," to "Let's fillet the EU and turn our rump on them."

Messages of support were on display at a firm of solicitors alongside a legal poster urging people to make their will - something that may have prompted one vehicle's poster complaining: "We are a dying breed."

Leaflets handed out to shoppers asked: "Would you be happy if your incomes were reduced to between 50 and 75 per cent?"

Philip Bromwell, who with his wife Gillian travelled 20 miles from their farm at Gros-mont, a village astride Offa's Dyke, said: "My cows now fetch

50 per cent less than they did a year ago. We are protesting because we have been driven to extreme action because the Government are killing our industry."

Trevor Beavan has reduced his herd of cattle from 150 to 70. That was a measure of the problems on his 1,100 acre holding at Llanddudion, a couple of miles outside the town. "There was no way I could have survived otherwise," he said.

The overnight demonstrations at Welsh ports, which preceded the Abergavenny cavalcade, involved more than 2,000 protesters at Holyhead, 700 at Fishguard and 400 at Pembroke Dock. A reported nine vehicles were forced to return to Ireland - including one carrying dairy products.

There were signs that the bonds between the Celtic nations were beginning to fray as Irish truckers expressed concern at the threat to their own livelihood.

Jimmy Quinn of the Irish Road Haulage Association called on consumers in the Republic to boycott British produce. He expressed disappointment at an alleged failure of policing and declared: "The survival of a major Irish industry is at stake."

North Wales Police, which covers Holyhead, said they were trying to ensure safe passage for everyone. The Dyfed-Powys force, which polices Fishguard and Pembroke Dock, said it was a question of solving problems and trying to balance the rights of everyone involved.

"We have been very successful in facilitating dialogue," a spokesman said.

Leaders of the National Farmers' Union and the Farmers' Union of Wales appealed for restraint. Sir David Naish,

NFU president, said in a message to Welsh farmers: "Peaceful presentation of our case to the public is helpful, but do keep within the law."

After meeting the Secretary of State for Wales, Ron Davies, the FUW president Bob Parry said he would attempt to dissuade his members from further demonstrations.

The ability of the unions' leadership to control events remains unclear. Permanent pickets are being set up at the ports. Earlier this week, one Irish driver held up at Fishguard told protesting farmers: "Why don't you go and picket Downing Street."

It may yet come to that.



Traffic signal: Members of the Gwent Farmers Action group en route to a protest meeting yesterday in Abergavenny

Photograph: Rob Stratton

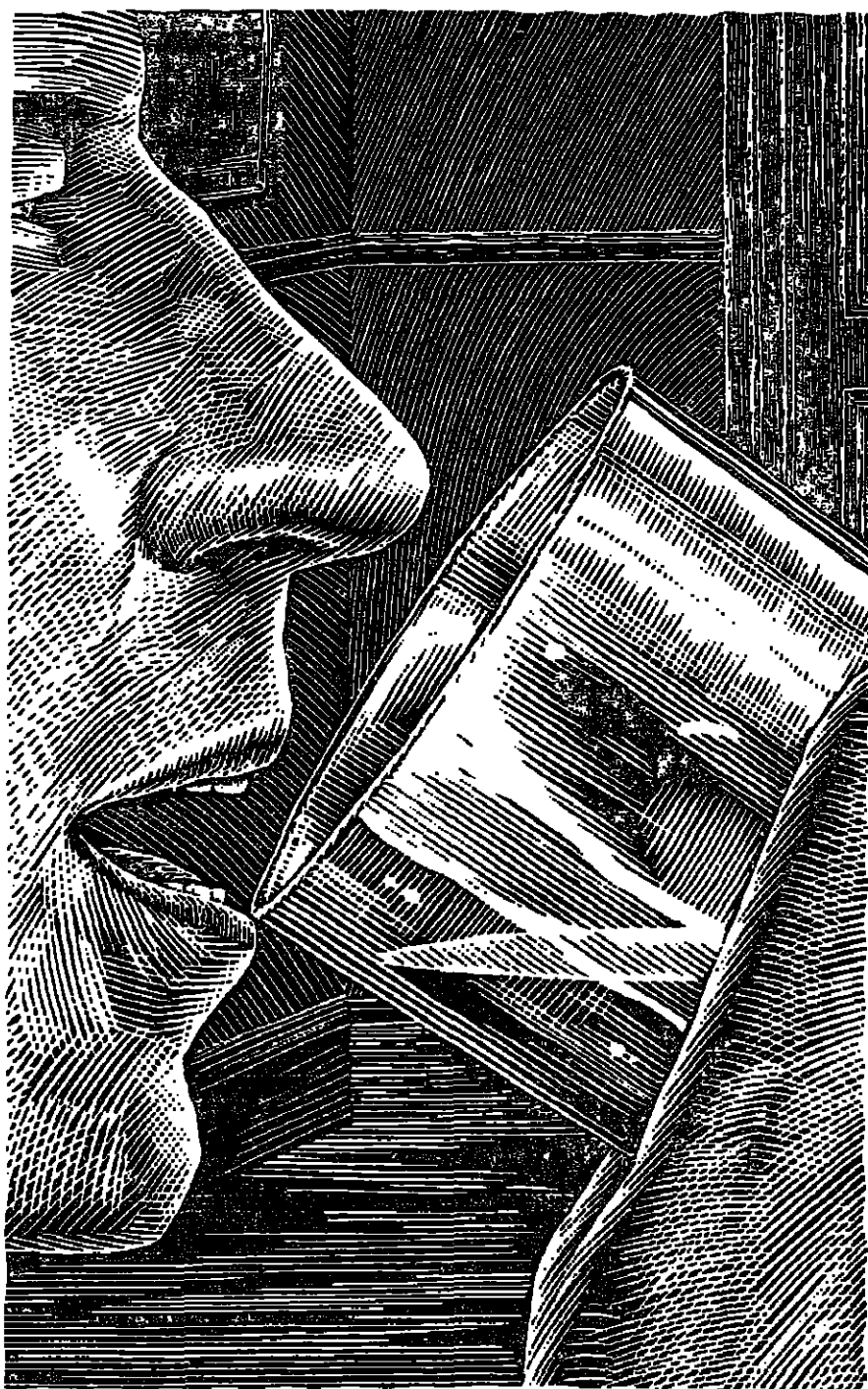


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## Irish demand right to free trade

The Prime Minister was last night under pressure from Dublin and Brussels to bring about an immediate end to farmers' disruption of Irish exports into Britain.

After angry attacks in the Dail on the failure of British authorities to control the situation at ports from Wales to Scotland, Mr Blair was contacted directly by the Taoiseach, Bertie Ahern, to press for an end to the blockade preventing movement of Irish meat through ports, which yesterday also began to affect consignments of dairy produce.

Mr Ahern's was one of a number of Irish initiatives also involving four European Commissioners. Talks also took place in London yesterday between the Irish agriculture minister, Joe Walsh, and his British counterpart, Jack Cunningham.

In the Dail, Labour leader Rupert Quinn said the port incidents were "a flagrant breach of international law", accusing police of "facilitating the mob in deciding which trucks would get through and which would not".

He demanded a compensation claim against British authorities, come from the Irish Government itself, and not be left to private individuals. The British Ambassador should be summoned to hear the Irish complaints, Mr Quinn said.

Fianna Gael leader John Bruton said Irish exporters were being denied the right to trade by a mob. He said "a strong united front" had to be presented by Dublin in defence of the rule

of law, "something which we had expected would be enforced by Britain".

After Irish complaints to the agriculture secretary in London had failed to stop the blockade for a fourth night, Mr Ahern told the Dail it was time for Dr Cunningham "to put his good words into action".

He confirmed Dublin was exerting pressure on the EU Transport Commissioner, the former Labour Party leader Neil Kinnock, to put pressure on his British Labour colleagues.

The Taoiseach pledged his support in efforts to secure compensation from London.

The president of the Irish Farmers' Association, John Donnelly, met Mr Kinnock and urged the right of access to British markets be protected. Earlier, after contacts with three other commissioners, he was given assurances that the commission was reminding Britain of its treaty obligations.

Mr Donnelly said: "We're part of the single market. We're entitled to get our product to the market place."

"It is disgraceful that the British police stand aside and allow those farmers to inspect what is on Irish trucks and then decide to turn them back."

He added: "We are not responsible for the problems Welsh farmers have with their own Government. It's about time they took (London) on and not be taking on Irish beef farmers who also have a very serious income problem."

— Alan Murdoch, Dublin

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## Fires expose Australia's dirty record

Bushfires are racing across south-eastern Australia, threatening towns and suburbs. Robert Milliken in Sydney says the fires are also fuelling criticism of Australia's stand on global warming, which has left it isolated at the Kyoto conference on climate change.

After three days of fearsome fires, which have taken the lives of two fire-fighters, invaded the suburbs of southern Sydney and left more than 600,000 acres devastated, the authorities are preparing for a red alert today. The worst fires were blazing near Coonabarabran, in north-west New South Wales, the Hunter Valley, north of Sydney, and Lithgow, west of Sydney.

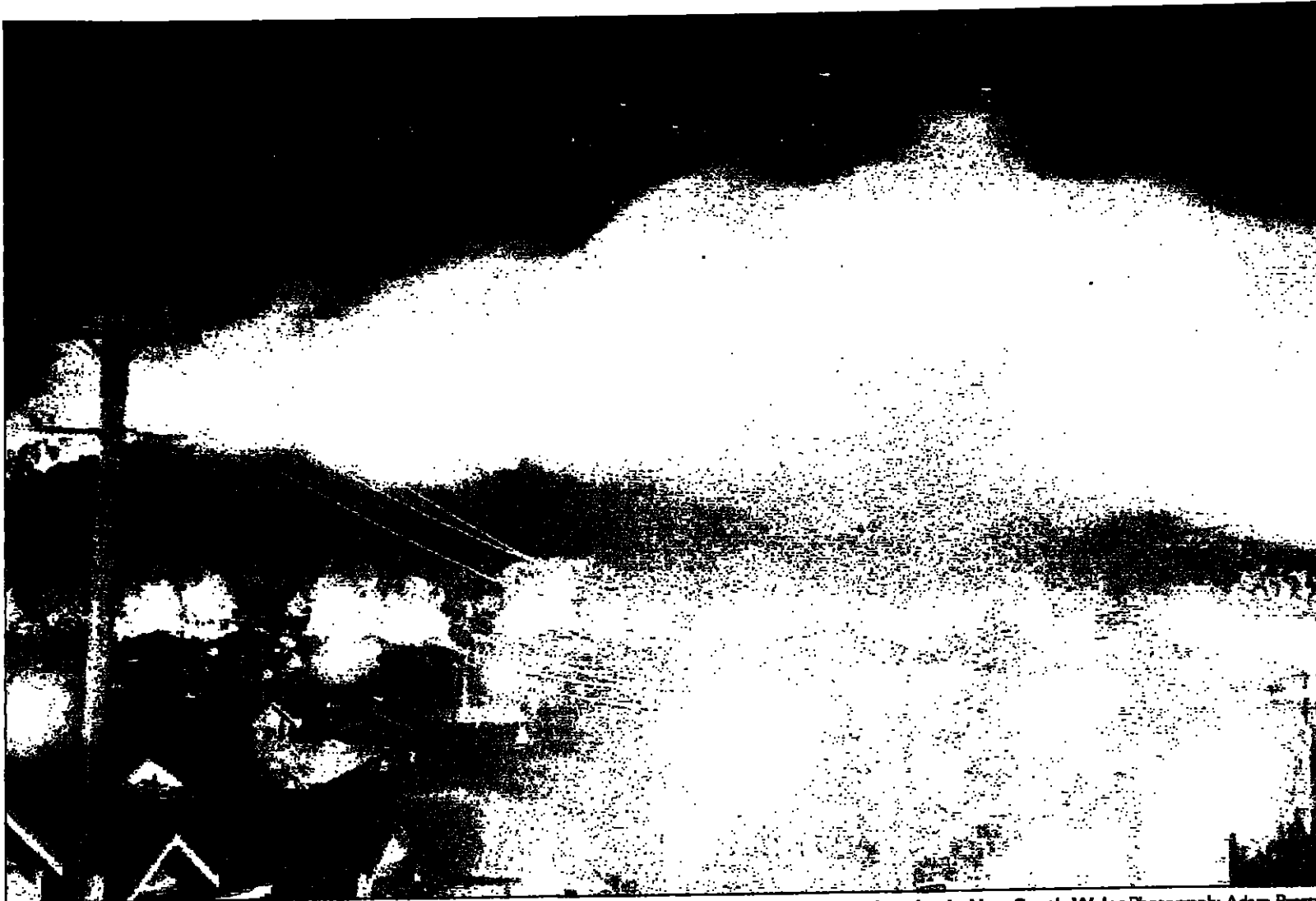
But many are asking if Australia is not getting a foretaste of more natural disasters, unless it changes its policy and helps to cut the emission of the greenhouse gases that contribute to global warming.

Fighting and surviving fires is embedded into the Australian psyche. But there is little doubt that Australia is experiencing such tragedies with growing regularity. Few people this year were prepared for a return of fires so soon after the last conflagrations in 1994, when the suburbs in bushland valleys close to the centre of Sydney went up in flames.

The last widespread fires before that were those of "Ash Wednesday" in 1983, when 76 people died in the states of Victoria and South Australia; in 1967, when 62 died in Tasmania and on "Black Friday" in 1937, which took 71 lives in Victoria.

This year, the fires began even before the official start of the Australian summer in December, getting under way last week during some of the hottest and driest November weather on record.

The conditions were caused in part by El Nino - the weather phenomenon caused by warm ocean currents in the east Pa-



Inferno: Scotsman's Hill on the edge of Lithgow, west of Sydney. Yesterday, more than 150 fires were burning in New South Wales. Photograph: Adam Pretty

cific which is said to be responsible for the worst drought in memory in the highlands of Papua New Guinea.

But the fires are also being linked to wider fears about global warming that have brought 160 countries together in Kyoto this week in search of agreement on action. There, Australia faces diplomatic isolation.

While such a treaty would rely on binding targets to reduce emissions of greenhouse gases such as carbon dioxide, Australia, alone among the world's rich countries, is proposing to increase its emissions.

John Howard, the Prime

Minister, has said Australia's greenhouse gas emissions are expected to increase by 18 per cent above 1990 levels by 2010. The European Union, by contrast, has proposed a 15 per cent cut.

Australia is already the world's sixth-highest emitter of carbon dioxide per capita, behind Canada, the United States, Kazakhstan, the United Arab Emirates and Singapore. It is one of the biggest emitters of methane, which is a consequence of the clearance of forests for farming.

Australia's stand has drawn criticism from Britain and furious attacks from several small Pacific island nations. They blame their big neighbour for

contributing to rising sea levels that threaten to sink them. With a land mass the size of the United States, and a population of only 18 million, Australia argues that it should be a special case.

Its major exports are metals, minerals, food and chemicals, and their production involves intensive energy driven by greenhouse-producing fossil fuels such as coal; Australia uses no nuclear energy. The country maintains that, if it was forced to peg 2010 emissions at 1990 levels, 90,000 potential jobs and A\$12 bn (£5bn) worth of investment could be lost.

Environmental critics say that a country as blessed with

sunshine and empty spaces as Australia should be doing more to develop alternative energy sources, such as solar and wind power. They accuse Mr Howard's conservative coalition government of bowing to the fossil-fuel lobby.

Unless Australia changes this approach, more fires can be expected like those that have

taken hold in tinder-dry conditions this week. Such fires become almost impossible to control when the temperature rises above 35C and humidity falls. According to a recent scientific report, the number of days in Australia per year when the temperature will rise above 35C is expected to double by 2070.

## Greenhouse gases put heat on EU

The European Union came to Kyoto proud that it had the greenest stance in the industrialised world. Its negotiating position is that all developed countries should cut their annual "greenhouse gas" emissions by a whopping 15 per cent by 2010 compared with their 1990 level.

No one else comes close in terms of willingness to tackle the threat of catastrophic climate change. But yesterday the EU found its virtue under question and the host nation, Japan, was a leading questioner. Japan is even saying the EU should make deeper emission cuts than other nations. "We can't understand why the host country is leading this offensive," said Pierre Gramegna, Luxembourg's ambassador to Tokyo. Mr Gramegna said that there was no question of Europe agreeing to take deeper cuts in emissions than other major industrialised nations, such as the United States and Japan.


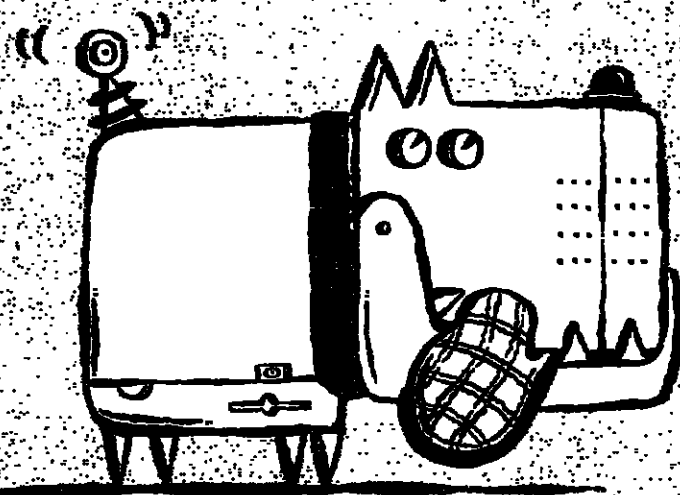
The issue is that while the EU as a whole is ready to deliver a 15 per cent cut, that will not apply to individual member states. Some poorer nations who produce well below the union's average emissions will be allowed big increases over the 20-year period - 40 per cent in the case of Portugal, the biggest gainer. Their gain will be made up by wealthier nations, notably Germany and the United Kingdom. Tiny Luxembourg, Europe's biggest climate polluter in per capita terms, stands ready to make a 30 per cent cut.

Other countries say this "sharing the pain" approach gives the EU states an unfair advantage. Toshiaki Tonabe, the senior Japanese negotiator and Tokyo's ambassador for global environmental affairs, said that in view of this, it was only fair that the EU took on "a higher degree of responsibility" in tackling climate change.

He compared Japan to France, which produces roughly the same quantity of greenhouse gas emissions per head. Under the EU proposal, France would only have to stabilise its emissions at the 1990 level by 2010. Why, then, should Japan have to make a 15 per cent cut?

— Nicholas Schoon, Kyoto

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march as  
China fails to  
pay its bills

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## Pensioners march as China fails to pay its bills

Angry pensioners in a south-western Chinese city went on the march this week to demand their overdue money. Teresa Poole in Peking says workers and pensioners who are owed money by their factories are no longer accepting their plight sitting down.

The story of the pensioners at the Yibin Phosphate Fertilizer Factory in Sichuan province is repeated all the time in towns and cities from one end of China to the other. Sometimes the demonstrators are pensioners but more often they are workers owed their salaries or made redundant by state enterprises, half of which are losing money. In a country where cradle-to-grave welfare benefits were supposed to be provided by one's "danwei" (work unit), the new reality of market forces has left the workers feeling cheated.

On Wednesday, about 200 retired factory workers took to the streets of Yibin to complain that some of them had not received their meagre pensions for up to a year. Their factory stopped production some time ago, as a result of bad management and inefficient production lines. Attempts by the pensioners to contact factory managers and local officials proved fruitless, so they took to the streets.

A few days earlier, in the city of Zigong, in Sichuan, about 300 people went on strike at the No 2 Radio Factory, according to information received by the New York-based Human Rights in China. They were demonstrating over unpaid salaries and were joined by other state workers protesting about several other state factories being declared bankrupt.

This is the fruit of the Chinese government's pledge to

sort out its ailing state sector by any means, be it privatisation, merger or closure. These recent two demonstrations were small; but in the past two years there have been cases when thousands took to the streets to protests.

The next stage of economic reform will be the most difficult, and fears of social unrest are at the forefront of China's leaders' minds. In some industrial cities in the north-east, real unemployment is probably running at up to 50 per cent. In the countryside, the situation is equally daunting: by 2000 the surplus labour force in rural areas will top 370 million, according to the well-informed *Outlook* magazine.

The government is caught in a vicious circle, and one made worse by the financial turmoil in countries such as South Korea, Thailand and Japan. Faced with the absolute priority of maintaining social order, Peking tends to react to workers' protests in the only way it knows - it tells the state banks to lend yet more money to the state enterprises so they can pay wages and pensions and alleviate the pressure.

That locks the banks further into debt. China's banking sector, which is state-owned, is insolvent, with around \$200bn in non-performing loans that have little or no chance of being repaid. Sorting out the banking problem depends on sorting out the loss-making state enterprises, which in turn means axing tens of millions of jobs.

Peking was counting on its buoyant economic growth and foreign investment to help mop up those lost workers. In fact, economic growth in 1998 is expected to fall to 8 per cent, still respectable but the lowest rate for eight years. Foreign investment is forecast to slump by one-quarter to \$30bn, much less than China has grown accustomed to. For the leadership in Peking, 1998 will be a year of grim economic choices.

## New trial for Soviets 'killed Palme suspect Wallenberg'

Christer Pettersson, who was convicted of killing Prime Minister Olof Palme but released after the conviction was overturned, could face a new trial.

Prosecutor-General Klas Bergenstrand will file an application for a new trial today. The Supreme Court is expected to approve the application.

Palme was gunned down on a central Stockholm avenue in 1986 as he and his wife walked home, unguarded, from a cinema. Police have been widely criticised as responding slowly and with confusion.

Pettersson was convicted of the shooting in 1989 but the conviction was overturned by an appeal court on the grounds of insufficient evidence.

Russian Justice Minister Sergei Stepashin yesterday said it is likely that the Soviets killed the Swedish diplomat Raoul Wallenberg for his role in saving Jews in the Second World War.

"There were many agreements between Hitler and Stalin, especially on the issue of Jews," said Mr Stepashin, who accompanied President Boris Yeltsin on a three-day visit to Sweden which ended yesterday. "I believe that was the main reason why they killed him: he knew too much about Stalinism and fascism."

Wallenberg is credited with saving 20,000 Hungarian Jews from the Nazis. He was arrested by the Soviet Army and vanished in the Soviet gulag.

## Socialists unite for bid to topple Kohl

Germany's Social Democrats ended their biannual conference on a high note yesterday by endorsing a modernist blueprint for the economy.

United at last by their desire to regain power after 16 years, delegates in Hanover were urged to harness the forces unleashed by globalisation. "We can decide whether we want to be the hammer or the anvil in the process of globalisation," said Gerhard Schröder, the SPD leader deemed to have the best chance to unseat Helmut Kohl.

His speech and the manifesto for innovation that he was proposing sought to distance the party from the dream world projected on the conference's first day by Oskar Lafontaine, champion of the left.

"I want us to stress the great opportunities of globalisation and to use them, not paralyse ourselves with constant lament-

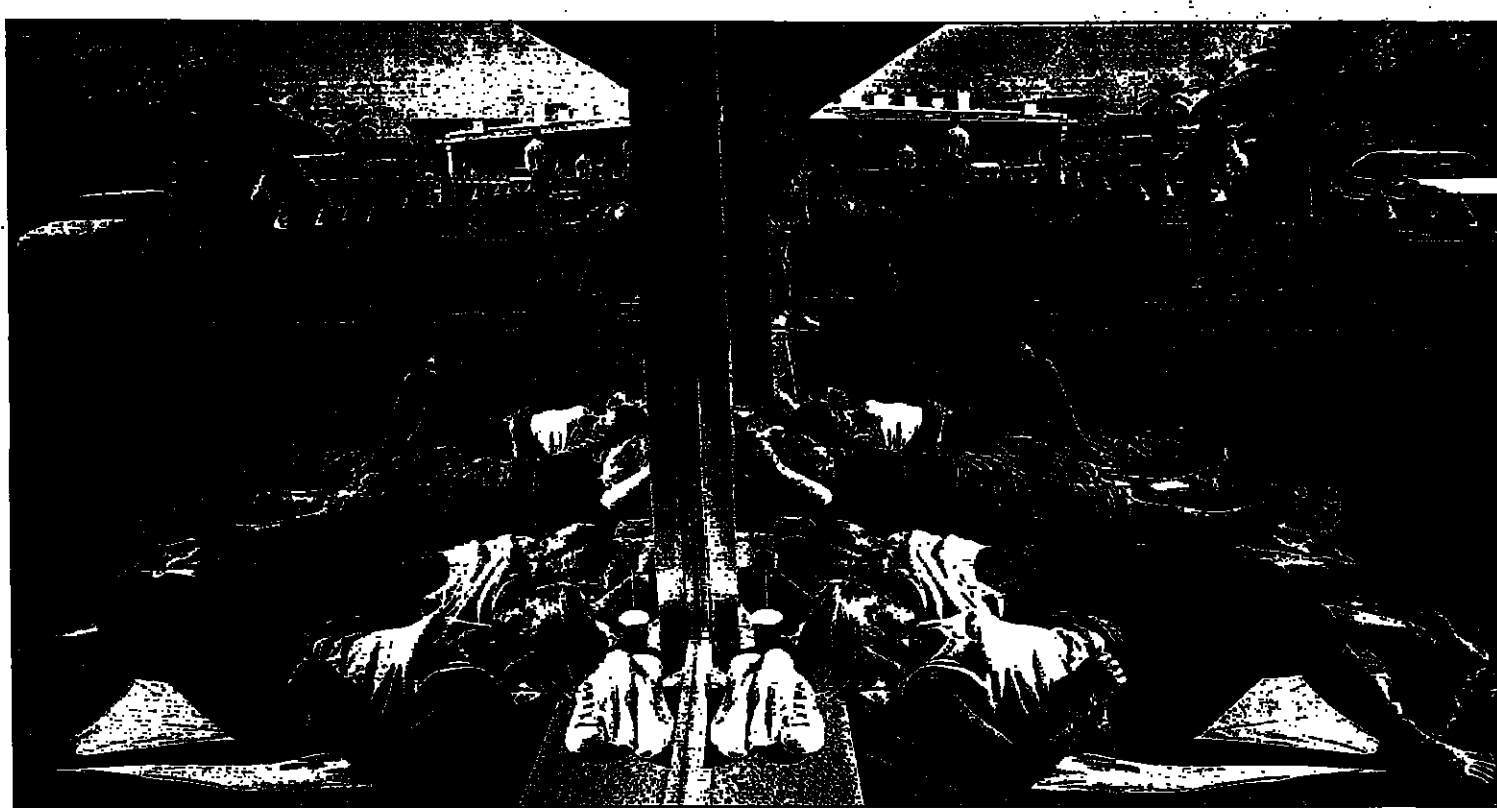
ing," Mr Schröder declared bluntly. "Too much of politics in Germany is based on fear."

Mr Schröder urged German workers to stay in competition, even if it involved cutting wages. The "German model", he went on, was ripe for renewal.

Chancellor Kohl, he said, would like to claim the political middle ground. The party should not oblige him. "Our course is clear," Mr Schröder said. "We are going forward".

In yachting terms, that is true. After Mr Lafontaine's left turn on Tuesday, Mr Schröder's shift to the right yesterday regained the original course. The bitter divisions evident in the last congress two years ago were no longer visible this week. Forward they go, at least until next March or April, when a candidate to fight Mr Kohl must be chosen.

— Imre Karacs, Bonn



Waiting game: Tourists stranded at Ben-Gurion airport yesterday on the second day of Israel's nation-wide strikes

Photograph: David Silverman

## Hippy escapes extradition

A French court yesterday refused to extradite a hippy leader convicted of murdering his girlfriend in Pennsylvania. Ira Einhorn, 57, who has been on the run since 1981, may still be deported to the US for entering, and staying in, France under a false passport.

An appeal court in Bordeaux dismissed the extradition request on the grounds that Einhorn had been tried in absentia in the US in 1993.

Einhorn, who was arrested in June, appeared in the court in Angoulême in white beard, faded jeans and blue shirt. When the judgement was read out, he said simply: "Thank you".

He was a celebrated leader of the 1960s hippy movement and has denied murdering his girlfriend Hellen Maddux.

— John Lichfield, Paris

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**Militiamen have attacked a Rwandan jail, releasing fellow Hutus held for alleged genocide. *Amelia French* in Kigali says the government which came to power after the genocide fears it is succumbing to a bush army of killers.**

At least 500 prisoners were freed and all of them escaped, along with the militiamen. The army said six civilians were also killed when militiamen attacked their homes in the same settlement; some of them had been macheted to death.

The dead are all believed to have been Tutsis. They were the survivors of the Hutu-inspired genocide that decimated the country's Tutsi minority in 1994.

Now it appears that the same men who killed up to a million Tutsis before their regime was overthrown three years ago are returning from the forests where they have been hiding to take revenge on the few who survived.

Since the return late last year of almost 2 million Hutu refugees from exile in surrounding countries, this tiny central African country has become a battlefield in an undeclared war between the Hutu rebels and the Tutsi-led government.

The jailbreak in Bulinga, in central Rwanda was the second of its kind in two days. According to the country's military, more than a hundred prisoners were sprung from a jail at Rwercire, in the north-west, almost exactly 24 hours earlier.

Since April this year, Hutu militiamen have stepped up their campaign of violence in the north-west, staging ambushes and attacking military targets, local officials, prisons and settlements which are home

They say many of the returnees are members of the former army or their militia allies, the so-called interhamwe, who led the 1994 killings. "Those in the jail have the same ideology as the militiamen," Richard Sezibera, a military spokesman, said yesterday.

The prisons are an easy target. With an estimated 120,000 Hutus awaiting trial for the carnage of 1994, virtually every district has had to hurriedly transform unused buildings into makeshift jails. Some have standing room only. Hygiene and sanitation are pitifully bad and disease is rife.

BUT many detainees seem to feel safer in than out. Many fear retribution from Tutsis in their home districts. There have even been reports of returnees asking to be let into the jails. Some are so ramshackle that anyone wanting to escape could do so easily, though they would risk being shot.

The lack of will to escape means that security has not been a serious problem. In addition, the number of jails and the conflict in the north-west means few soldiers can be spared to guard each one. So, when hundreds of armed men attack a prison, they meet little resistance. Those inside seize the opportunity to escape prison and justice. Once outside, they have little choice but to stick with the militants.

The spate of jailbreaks is bad news for Rwanda's army, which says it is already fighting an estimated 15,000 militiamen in the north-west. Although the army insists the militiamen are poorly armed, the soldiers appear to be flat out trying to deal with them. The prospect of ever increasing numbers of genocide suspects being released is an *alarming one*.

The attack in Bulinga, which was well south of the rebels' normal field of activity, is also a sign that the insurgency is spreading throughout the country.



The United Nations World Food Programme is to begin air-dropping food for thousands of people trapped by rising flood waters in southern Somalia, the agency said yesterday.

Davies said the drops would begin on Monday, following a weekend of public service announcements on the BBC's Somali language service, warning residents of the areas not to crowd around the drop zones.

**"We have to ensure safety," Ms Davies said. "From experience with landing planes, we know people tend to crowd around food distributions, and this could cause security problems."**

A crowd at a food distribution centre in the southern coastal town of Kismayo, where tens of thousands are camped

after fleeing their flooded homes, turned violent last week when the number of people who showed up far outnumbered the supply of relief food. One woman was killed.

early October have inundated large portions of southern Somalia, causing the Juba and Shabelle Rivers to overflow their banks and adversely affecting a million people, according to aid agencies.

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## Italy's pupils enjoy thrill of class war

Two weeks ago a hundred pupils barricaded themselves into a high school in Rome to protest against education reforms. A few days later police stormed the building.

With angry pupils still plotting their next move it sounds like the beginning of a revolution, but, says Andrew Gumbel, in Italy's state school system it is simply par for the course.

The children who gathered outside the battered facade of the Liceo Mamiani yesterday were not in a mood to mess about. Still seething about the brutal end to their little experiment in educational self-rule, they were discussing their next move. Should they continue to boycott television chat shows? Should they keep trying to break back into the school, or push for a withdrawal of the large police van standing guard outside the main gate?

"We have the right to express ourselves and discover the individual within us. They can't stop us just because we are behaving out of the norms of ordinary behaviour," began one 16-year-old boy, before his comrades reminded him of their media blackout.

The youngsters were dressed mainly in black, grunge-style, with a definite preference for pierced noses and Palestinian keffiyehs. On one of the school's outer walls, someone had spray-painted: "Leave no room for the Fascists!"

It looked like 1968 all over again, and in a sense it was. The last time the police came to clear the anarchists out of the Liceo Mamiani was in that fateful year. But appearances can be deceptive: what looked like a full-scale youth rebellion was, in fact, little more than a well-worn ritual among Italy's disaffected teenagers.

The Mamiani has been occupied by its pupils at regular intervals for as long as anyone can remember. So, too, have a slew of other schools in the larger Italian cities. It is not the problem schools that are hit, but those used by the offspring of rich families who fancy themselves as left-wing.

The object of the exercise is not to rebel against the authority of the teachers. The point is to rebel for the sake of rebelling. What greater fun can there be than to tell

your elders to get lost, hold drapery-befuddled parties that last for days, organise student-run classes on such illuminating topics as Red Brigades terrorism and the redundancy of parents, and watch videos of 2001: A Space Odyssey into the early hours?

To be fair, the most recent occupation of the Mamiani and 60 other schools was rooted in a genuine grievance: a government proposal to take some £60m in funding from the severely under-resourced state school system and give it to private schools, especially religious ones.

But this noble cause was soon overtaken by the sheer thrill of disobedience. The Mamiani's headmaster, Giuliano Ligabue, newly arrived from a sleepy school in Sardinia, evidently had trouble believing his eyes and was soon circulating stories to his superiors about rampant drug use, outbreaks of violence and even the reported sighting of a revolver.

Mr Ligabue's alarm prompted the police raid. On Monday, the headmaster went to the Education Ministry to resign, leaving the coast clear for the police to drag the 100 or so protesters off into custody for identity checks (there were no arrests).

There were reports of broken windows and lavatories in sad disrepair, but such was ever the state of the Mamiani. There were reports that a criminal gang called Flaminio Mafia had taken over the school and was peddling drugs and even arms. But only a few grams of marijuana were found, some wooden sticks and lavatory chains. It is still not clear if Flaminio Mafia exists as anything more than the name of a teenage rap band.

The whole farcical spectacle is a symptom of the fact that the Italian school system has neither the means nor the political will to work. English teachers can barely speak English and science labs have next to no equipment. There are rarely any sporting, or any other, extra-curricular activities. Latin, on the other hand, is compulsory in nearly all high schools - an anachronism that dates back to the time when education was the preserve of the Church.

"The school system is no more than an elegant con-trick, using fantasy politics as a substitute for education," commented one disillusioned former academic.

The students of the Mamiani may be having the time of their lives, but if they are the future of Italy it doesn't look too promising.



Pocket art: The old F100 note, celebrating the Romantic Delacroix (front), is supplanted by the Impressionist Cézanne

Photograph: Reuters

## The final franc note cashes in on Cézanne

Paul Cézanne's father would, finally, have been proud of him. The great Impressionist, who refused to follow his *papa* into banking, has been chosen as the theme of the last French bank note. From next Monday week, the Bank of France will issue a new, hi-tech 100-franc note featuring a portrait of Cézanne and details from two of his paintings. *The card players* and *Apples and biscuits*.

The design, the subject of two false starts and much discussion, will survive for four-and-a-half years before the 100-franc is merged into the European single currency, the euro. It will be the last of a long and ornate line going back to the creation of the franc in 1795 and the first franc notes in 1796.

Originally, the Bank of France intended to honour the Lumière brothers, inventors of cinema. They were cut from the script when it was pointed out they had sympathised with the Vichy regime during the Second World War. The second plan was to honour the painter Henri Matisse. His surviving relatives objected, pointing out that he had always detested money.

Finally, Cézanne was chosen, ahead of the singer Edith Piaf and the writer Colette. The new note (worth roughly £10) will join a series with the 50-franc note (starring the writer and aviator Antoine de Saint-Exupéry), the 200-franc (Gustave Eiffel) and the 500-franc note (Pierre and Marie Curie).

One painter replaces another. The present 100-franc note, the only one in the world to show a half-naked woman, celebrates Eugène Delacroix. It includes an approximate reproduction of his painting of a bare-breasted woman leading a revolutionary charge.

The governor of the Banque de France, Jean-Claude Trichet, defended - on three counts - the decision to introduce a new note in the late evening of the franc's life.

The 100-franc note, the most



Currency of fame: Matisse (right), who failed to make it on to the new F100 notes when his relatives objected, and Cézanne (left), who is to adorn the latest unit of exchange



commonly used one, survives for a maximum of 15 months in circulation in any case. The use of new technologies makes the Cézanne design cheaper to print and 10 times harder to counterfeit.

There is an unspoken, fourth reason. France is in competition with other countries for a contract to print some of the euro notes which will replace the currencies of up to 11 EU countries from 1 July 2002.

The production of the new Cézanne note, incorporating a supposedly unforgeable new form of metallic security band, is a French down-payment on a licence to print euros.

— John Lichfield, Paris

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## The Baron and the cleaner – if not a fairy tale, what?

He is from the aristocracy. She is from the Philippines. He is 69, she is 36. He is pretty useless round the house, she is pretty useful (she used to do for him). They are recently married, and having a baby. Nicel says Ann Treneman.

Lord Southampton sees his marriage to his 36-year-old Filipina cleaner as a fairy tale come true. "We fell in love," says the 69-year-old peer. "It is a bit of a fairy tale, and I think most people like fairy tales. Barbara Cartland's agent has been in touch to see if we could help her with a book."

Well, whatever Dame Barbara may think, this is not a fairy tale. For starters, penniless Cinderella did not marry the old guy sitting on the throne. She married the handsome young prince on the dashing white horse. Then they cantered off into the sunset – too young and too much in love to realise that the whole thing was destined to give them saddle sores and a whacking great chance of divorce.

No, the story of the peer and his cleaner – which was broken by the *News of the World* with the memorable headline "Bed, nob and broomsicks!" – is something else entirely and in many ways it is a thoroughly modern match. But first, a recap of the story and its characters so far.

Lord Charles James FitzRoy, 6th Baron Southampton, is descended from Charles II. The family owes its fortunes to the king's celebrated mistress, Barbara Villiers, so there is a certain tradition to keep up. The present peer's father ran off with a chorus girl when he was 17, and Lord Southampton himself ran off with his first wife, Pamela, when he was 22 and she was only 16. There, however, the wild times end. They were married for 46 years, and had two children, now aged 45 and 41, and seven grandchildren. The first Lady Southampton died in February, from ovarian cancer.

Alma Pasqual grew up a world away from all this, as the daughter of a shopkeeper in the village of Tarlac, near Manila. In an arrangement that owes much to the mail-order bride business, she came to Devon to marry an electrician, Bryan Slater, after an 18-month correspondence. The marriage was not a success and, amid financial and other troubles, Alma decided to look for work as a cleaner. Thus, in 1992, she came to be hired at £5 an hour by Lady Southampton to clean Stone Cross, a five-bedroom country house, worth £500,000. At Alma's home, things got worse – "I was treated like a skivvy" – and she started divorce proceedings.



Lord Southampton with his Filipina bride Alma Slater at their home in Chagford, Devon

Photograph: Phil Pao/South West News Service

And so the stage was set. Lord Southampton is described as being "impractical around the home". One suspects that this means completely useless, and as a widower he began to rely more and more on Alma. Then, one day, he decided that he needed a new fridge. "He is not very good at shopping," says Alma. "That was the first time we went out together."

The peer told *Hello!* that he decided to pop the question over a meal in a Chinese restaurant in Taunton. His cleaner was sur-

prised. "Out of the blue he told me that he was in love with me. It never occurred to me what was happening inside of him. I think I said 'Bloody hell'. I just never expected it. I told James I would have to think about it." In June, she accepted his proposal. They married last month, and now the new Lady Southampton is pregnant.

Some people claim to be shocked, though whether this is because of the recentness of the first wife's death, the age gap, the fact that the new Lady Southampton

was a cleaner, or that she is from the Philippines, is unclear. But all these factors contribute to the reason why we should not be shocked.

Romance and bereavement are no strangers, especially for men. There are many more widows (2.9 million) than widowers (684,000) in Britain. While this is partly explained by the fact that women live longer, men are also far more likely to remarry, and quickly, too. "Men are healthier if they have a partner," says Averil

Leimon, a psychologist. "Bereaved men are at considerable risk – it's not unusual for them to die [soon] too. For men it can be a life-saver to find another woman." Often, the dying wife will instruct a husband to find a new wife. Both Lord Southampton and his new wife have said they believe Pamela would have approved of their match.

Nor should we be surprised by the fact that she is a Filipina. The "brides of the Orient" are much in demand these days. Bill Howard, of the World Association of

Introduction Agencies, says that there has been a 15 per cent increase in the number of European and North American men marrying Oriental women, and that the former gas chief Brian Clegg is only the highest-profile man to admit to having done such a thing. The 75-year-old former chairman of Northern Gas paid £3,000 in air fares and dating agency fees to go to Bangkok, where he met a 23-year-old Thai waitress called Joom. They wed after a three-day courtship conducted in a shared hotel room. "I'm sure we will be happy," says Mr Clegg. "And when I have gone, Joom will be set up for the rest of her life."

In many ways, it could be said that Mr Clegg has gone out of his way – Bangkok is not an Awayday, after all – to find the ultimate non-trophy wife. But others would see it differently. The men who seek out Oriental brides are usually divorced, and are looking for women with traditional values. The women – and 60 per cent come from the Philippines – are looking to escape the worst kind of poverty. "Almost all Filipina girls marry for economic reasons," says Mr Hunter, "though perhaps the men don't think of it that way."

Not so much true love as true practicalities, then. But it seems to work for many. Charles Black, of *Siam Introductions* – the firm used by Mr Clegg – conducts a two-year check-up for its clients and reports an 85 per cent success rate. "That's a lot better than most English marriages," he says.

Alma Pasqual was one of those whose penpal husband turned out to be Mr Wrong. Unlike many such brides, she took her future into her own hands and decided that she would rather get divorced and return to the Philippines than live in such an way.

Then came that unexpected question in the Chinese restaurant, and she is now in a rather wonderful and rare position. She is a Filipina in Britain who is marrying a wealthy older man without the help of an agency. She has always wanted a family, and now she is to have children who will be aristocrats (if her baby is a boy the plan is to name him Charles, after the future king). Her husband is thrilled by what he calls his new life. "I am hoping Alma will do the late-night nappy duties," he says. "I don't think I am up to it at my age."

She used to be paid £5 an hour to clean, and now she is rich in her own right. "Neither of us can believe it's happening," she says. "I used to clean this beautiful house – and now it is my home." But, it must be said, she is still cleaning. "We can't really afford staff now, so I'll still do all the housework myself." Spoken like a truly traditional wife. And that's no fairy tale – that's just the way of the world.

Robert So

onard Matthe

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## Reader Evening at the Bluebird

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## Making legal history: Di's divorce lawyer and the poet

What have lawyers and poets got in common? Plenty, according to Anthony Julius and his colleagues at top law firm Mishcon de Reya, who have appointed a poet in residence. Robert Verkaik gets on the case.

A shy male lawyer recently informed Lavinia Greenlaw that he wouldn't be coming to her inaugural poetry workshop at Mishcon de Reya. When the newly appointed poet-in-residence at the Princess of Wales's law firm asked him why this was so, he replied: "Because I don't want anyone to know I write poetry."

Greenlaw, who since her appointment has won this year's £1,000 Forward Prize for the year's best poem, took this apparent stumbling-block in her stride. "It's very important," she says, "to understand that people are not going to find it easy to share something like poetry with their work colleagues. They can send me poems through the e-mail and we need never meet, if they wish."

Anthony Julius, is credited with the initiative. He is the partner who advised Diana, Princess of Wales in her £15m divorce settlement, and who now plans to divorce his own wife of 21 years and marry the journalist Dina Rabinovitch, the daughter of an ultra-orthodox rabbi. He is the firm's head of litigation, and a respected writer who last year published a critique of TS Eliot's anti-Semitism. But he has, says Greenlaw, deliberately kept a low profile, and did not volunteer to take part in the first workshop.

The Mishcon de Reya project, though trail-blazing, is not unique. This year Barnsley Football club appointed a poet to chronicle its historic en-

trance to the Premiership. The Poetry Society is looking at other ways to bring poets to the world of business, and to this end has given Marks & Spencer £5,000 of its £450,000 National Lottery grant to fund a poet-in-residence. Chris Meade, the society's director, says that more poets in company posts can be expected.

The Mishcon project at first encountered cynicism from some of its own lawyers, who felt that the £10,000 for one half day a week could have been better spent. But eventually they opted for this means of supporting

week, when I come in, I put a different poem in the e-mail with some comment. Throughout the day people write back with their own poems or suggestions for poems. Some people are baffled, others are provoked."

She also goes on office walkabouts, where her encounters have already produced one or two knee-jerk reactions to poets and poetry.

"People who have not read a poem for perhaps 30 years, or since they left school, suddenly look at me and think, 'a poet, poetry: what do I know about

fuddy-duddy or slippery in their use of speech. Some have suggested that I would be frustrated by the dryness or extreme fluency of their language."

People still ask her for words which rhyme with solicitor, in the belief that she is some kind of law firm laureate, paid to produce corporate doggerel, and employed to be at the beck and call of the partners.

But Greenlaw has discovered that poets and lawyers have much in common. Apart from Dante and Ovid, whom she names as poets who trained in the law, she homes in on the shared use of words as tools to construct persuasive arguments.

At a makeshift workshop, Alex George, 27 – one of the three lawyers who did not turn up last time – professes his disappointment at missing out. He supports Greenlaw's proposal that every fortnight a poem is posted in the lift, and recommends Philip Larkin's poem "For Sidney Bechet".

The discussion moves on to the value of learning poems by heart. Greenlaw mentions a book by Ted Hughes that uses visual aids as a memory trigger to remember poems. Alex thinks that "associated images" might cloud the words, and act as a smoke screen to the reader's interpretation of the poem.

Helen Scott, a marketing secretary, who also attends the makeshift meeting, is a resting actress. She says she was so captured by a poem by Emily Dickinson which Greenlaw had sent round on the e-mail that she went out and bought a collection of Dickinson's verse.

Greenlaw hopes she too will find something here that will enrich her own poetry. She intends to accompany lawyers to court to get an impression of legal words in action.

But don't expect anything too soon, or any ditties with lots of words rhyming with Diana – or even Dina – and Mishcon de Reya.



Chapter and verse from Lavinia Greenlaw Tom Pilsten

the arts, while at the same time bringing light relief to lawyers who pride themselves on working 25-hour days. The nature of the arrangement was first made clear to Greenlaw when she met the unusually heavyweight interview panel, comprising the poet Tom Paulin, Chris Meade, and Anthony Julius.

At a party to welcome her to the firm, 120 staff, half the workforce, turned out to say hello. At first it must have looked as if the diminutive, 35-year-old, self-effacing poet – who had not known any lawyers before she met the firm – was in danger of being drowned in a sea of loud voices and pin-striped suits. Since then she has found her own way of making her presence felt.

Explains Greenlaw: "Every







# 20/LEADER & LETTERS

## Not fit to sit in Parliament? It is the oath that is not fit



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Would you? Would you promise to be "faithful and bear true allegiance to Her Majesty Queen Elizabeth, her heirs and successors, according to law"? Many readers of this newspaper would. Some have, as naturalised citizens, Scouts or Guides. But many would not. Does that make them ineligible to sit in Parliament?

Of course not. Yet that is what we require our MPs to say, every one of them, before they can sit on the green benches and do their bit for representative democracy. The idea that people who want Britain to have an elected head of state must be barred from the House of Commons is antique. It is preposterous that MPs should not be permitted to believe openly in a constitutional monarchy in which the monarch is merely titular head of state. Should republicanism, indeed, disqualify a citizen from being a Member of the House? When examined closely, the idea of swearing loyalty to the person of the monarch and her heirs is so offensive – even with that historically rather important rider, "according to law"

– that there is a strong case for asserting that anyone capable of mouthing such hypocritical tosh ought to be disbarred automatically from being an MP.

That does not, of course, mean that the opposite is always true. Gerry Adams and Martin McGuinness should not be allowed to use the facilities of the House of Commons simply because they refuse to swear the oath of allegiance. They should be allowed to do so because they have disavowed the use of violence and have expressed a desire to take part in a democratic dialogue about the future of Northern Ireland.

So Betty Boothroyd was wrong to send the Sinn Féin MPs away yesterday with their crude piece of agitprop intact. She was wrong on several counts. First, because the oath of allegiance is the wrong test to administer. Most democratic assemblies require their members to declare some kind of loyalty to their nation, which must always present problems to those who stand on a democratic platform of secession for a part of it. The Scottish National Party and Plaid

Cymru get round that by saying they would be happy to have the Queen as head of state of their independent country. But it is different for the Irish, as would be revealed by even the most cursory knowledge of Irish history, and the part played in it by oaths of allegiance.

As Miss Boothroyd pointed out, the oath of allegiance is not a matter for her. The Commons would have to amend the Parliamentary Oaths Act 1866 in order to change it. It was amended once, in 1885, to allow Charles Bradlaugh to sit. As an atheist, he refused to "swear by Almighty God" that he would be loyal to Queen Victoria, and his constituents in Northampton forced a change in the law by returning him in four successive by-elections. As a result, many MPs today "solemnly, sincerely and truly declare and affirm" that they will be loyal to Victoria's successor.

Yesterday, the Speaker claimed to be bound by the law as it now stands – in which case she should disqualify at least one MP who did not deliver the form of words re-

quired by the Act. But in any case the Sinn Féin MPs were not asking to take their seats in the Commons. They were merely asking for access to the Palace of Westminster. When she refused them access just after the general election, Miss Boothroyd told the House that the 1866 Act prevented MPs who refused to swear or affirm from taking their seats. In 1924, she said, the Speaker had ruled that such MPs could not be paid salary or expenses. She went on: "Making use of the power vested in the Office of the Speaker to control the accommodation and services in the Commons parts of the Palace of Westminster and the precincts. I have decided to extend these restrictions." She then listed the facilities that would be denied Sinn Féin, including offices, passes, room booking and library services.

For her to pretend to have no choice in the matter, then, is wrong and foolish. This is not a question only of who should and should not be allowed to sit in the Commons, but of advancing the cause of peace in Northern Ireland.

If she had granted Sinn Féin access to the Commons, it would have thrown the burden of responsibility on to the shoulders of Mr Adams. Every time symbolic barriers are removed to Sinn Féin's inclusion in democratic politics, the less Mr Adams can use the rhetoric of grievance and discrimination with his own tribe. The Prime Minister seems to understand this, and should be praised for meeting Mr Adams in Downing Street next week.

But if the oath itself were changed to a promise to serve the people and pursue "liberty and justice for all" (a phrase from the American pledge of allegiance), then that would really put pressure on the deep-rooted Irish republican tradition of abstentionism. Barristers and police officers in Northern Ireland have dropped the pledge to the Queen: why not MPs? A form of words should not be used which excludes MPs whose democratic credentials are good enough for the Mitchell Commission, and which forces many others to stand up for what we know they don't believe.

Post letters to Letters to the Editor  
and include a daytime telephone number.  
Fax 0171 293 2056; e-mail: letters@independent.co.uk  
E-mail correspondents are asked to give a postal address.  
Letters may be edited for length and clarity.

## LETTERS

### BSE inquiry

Sir: A public inquiry into the BSE disaster is on the verge of being announced. As the parents of Stephen Churchill, the first and, as yet, youngest death from human BSE (new variant CJD) we take this opportunity to remind those making the decisions that the inquiry must be held by a judge, as it is imperative that it should have the right to subpoena both people and documents, and the judge must have the authority to inquire into any matter that he sees fit, in order to seek the truth about what has happened.

Whilst we are but one family we speak on behalf of all the families touched by this tragedy. Today we grieve for 23 deaths but others are being nursed as we write. To have the right quality of inquiry is essential otherwise we the families, the nation and Europe will only see a lower level of inquiry as being yet another cover-up, perpetuating what went before under the Conservative government.

We as families seek only the truth. We do not wish for a scapegoat from today's administration but for the real guilty parties to be brought to book. In addition we must all learn from the mistakes made so that a tragedy of this magnitude never happens again.

DAVID CHURCHILL  
DOROTHY CHURCHILL  
Devizes, Wiltshire

### Royal Opera House

Sir: Tonight (3 December) the Royal Ballet represents the United Kingdom at the festivities marking the reopening of the Teatro Real in Madrid. From Friday the Royal Opera contributes to the Year of Opera and Music Theatre in East Anglia with performances of Britten's *Paul Bunyan*. Both events represent the essence, quality and range of the Royal Opera House and its performing companies.

That Mary Allen, our chief executive since September, should be so vilified in today's select committee report scorns the efforts and achievements of the entire organisation during this difficult period of transition. Under Ms Allen's leadership, we are facing up to our problems, restructuring management and financial systems, and developing economically viable artistic plan that will enable us to return to Covent Garden with a programme that does justice to our redevelped theatre.

That our development continues on time and on budget, while our fundraising has been more successful than any other comparable capital campaign, demonstrates the commitment of very many people to achieving our goals. We will do this best through our own endeavours, by strong management and leadership. We could have no better champion of our cause than Ms Allen, who has our unreserved support.

Sir ANTHONY DOWELL  
Director of the Royal Ballet  
KEITH COOPER  
Director of Sales and Marketing  
RICHARD HALL  
Director of Finance  
JOHN HARRISON  
Technical Director  
MIKE MORRIS  
Director of Personnel  
NICHOLAS PAYNE

Director of the Royal Opera  
PHYLLIDA RITTER  
Director of the Friends of  
Covent Garden  
ANTHONY RUSSELL-ROBERTS  
Administrative Director of the  
Royal Ballet  
JOHN SEEKINGS  
Development Director  
MALCOLM WARNE  
HOLLAND  
Orchestra Director  
Royal Opera House  
London WC2

### University fees

Sir: While you rightly remind your readers of the reasons why we have had to reform university funding and the fairness which is built into our proposals, you suggest that we have failed to inform potential students properly (leader, 3 December). This is not the case. I have been ready to discuss them and write about them at every opportunity. While there was some controversy in August

over gap year students – which we speedily resolved in their favour – it is absurd to suggest that we have been failing to put forward both the arguments and the nature of the new scheme.

We have already issued over half a million leaflets to sixth forms and further education colleges. We have established a free helpline – 0800 731 9133 – and a website – [info@dfce.gov.uk](http://info@dfce.gov.uk). We have provided schools and colleges with posters highlighting the helpline number and we have taken out prominent newspaper and radio advertisements.

Of course there are difficulties in tackling misinformation when a new system is introduced, and given the previous government's unwillingness to tackle the university funding crisis there were bound to be. But students and universities are already seeing the benefits of change, with an extra £165m for next year to improve standards and access.

This will allow us to double access funds, helping part-timers in particular, to exempt postgraduate teaching students from course fees and to provide an extra £250 hardship loan to those who need it.

DAVID BLUNKETT  
Secretary of State for  
Education and Employment  
House of Commons  
London SW1

Sir: Thank you for your praise in your leader on student tuition fees. But contrary to your implication, it is not the intention of the National Union of Students to frighten would-be students away from higher education to make a point in our campaign: the evidence is clear that the prospect of paying university tuition fees is killing ambition among potential students.

Parents will not be relieved of their contribution towards their offspring's living costs. Access to part of the maintenance loan will be

means-tested, so better off families will be denied the cheaper state loans.

### Minimum wage

Sir: Ian McCartney, Minister of State at the Department of Trade and Industry, is not exactly correct when he states (Letters, 1 December) that "all sectors of business also support the principle of a minimum wage".

The bulk of Britain's businesses are either micro (less than 10 employees) or small (less than 50) and some 97 per cent employ fewer than 20. While these may support a reasonable wage negotiated at local level, many worry that if a statutory, national, minimum wage is set too high then many will have to shed staff.

The much-vaunted US minimum wage applies only to industry and is set so low that employers pay it anyway. Despite promises to help small businesses, we are still to be made criminals, fined and penalised.

BERNARD JUBY  
Chairman  
Trade and Industry Policy Unit  
Federation of Small Businesses  
London SW1

### Green Japan

Sir: You describe Japan as "a wasteful country, with a poor record on recycling" ("Japan fears a bumpy ride on road to climate deal", 1 December). All evidence here points to the contrary.

At railway stations there are separate rubbish bins for newspapers, cans and bottles. Similarly at offices and in the Japanese home, rubbish must be separated into categories, otherwise it will not be taken away. It is common here for neighbours to search through offending rubbish in order to find an envelope with the address of the depositor on, in order to return it.

There are recycling facilities at supermarkets for items such as milk cartons (which must first be washed and cut and laid flat. I'm not kidding.) There are also special rubbish collection days for items such as batteries and polystyrene.

PETER JUETT  
Saitama, Japan

Sir: Nicholas Schoon is right to ask what difference it will make to have information on air pollution made more widely available ("Appliance of science to smog alerts", 20 November). The answer, of course, is that those who suffer ill-health because of traffic fumes, up to 15 million in the UK, will now know when to stay as prisoners in their own homes.

Michael Meacher may take pride in a reporting system that leads the world, but the desperate need now is not for information on how poisonous the air is, but for clean air itself. The Government must commit itself to reducing pollution by tackling the causes of pollution, in particular traffic.

ANDY SPRING  
Enfield,  
Middlesex

### After the hunt

Sir: I think it is absolutely right and proper that an MP should put a Bill through Parliament outlawing the premeditated, conscious and appalling abuse of helpless animals perpetrated for the selfish of an unenlightened section of the population. I look forward to the introduction of the Cruelty to Animals (Battery Farming) Act.

ALAN BURLIES  
London SW1

## Ah, the thrill of the chase, the trail of the fox, the cars moving in for the final kill...



MILES KINGSTON

"Did you know that most foxes are killed not by fox-hunting or shooting, but by being run over on the road? That more foxes are run over than are culled by all other methods put together? Yes, fox-motoring is by far the best proven method of cutting down on fox numbers! And yet Parliament is even now trying to make things more difficult for us, maybe even kill the sport!"

The speaker is Bernie Purdue, who lives in Kent and has been running over foxes almost as long as he can remember. He learnt to enjoy the sport first with the hunting group known as the Faversham Shoppers, but after going out fox-motoring round about the county with different outfits, he now goes

out with the London-Kent hunting group known popularly as the M25 Late Late Crowd.

"We go out four or five times a week, into London in the morning and back again in the evening. The evening is the best time for fox-motoring. Well, obviously, because that's when the fox is out. I mean, you can't get a fox if he's in his hole, can you? So we don't get many foxes in the mornings. Only reason we go out in the mornings, really, is so that we can come back in the evening. That's when the fun starts. And now they're trying to take it away from us."

Which particular measure is he thinking of? After all, they're not trying to make fox-motoring illegal, are they?

"All but, mate, all but. They're cutting back the road-building programme. They're trying to cut back on the number of cars. They're trying to cut back on the speed of cars. Worst of all, they're trying to get public transport better!"

What's wrong with that? "What's wrong with improving public transport? Oh, come on! When did you last hear of a bus running over a fox? They're not up to it! Far too slow and unwieldy. It's only cars that can do it. But everything is being stacked against us. I mean, the new government is already urging us to slow down for Christmas. How can we get a fox if we slow down? They are telling us we can't have any more roads.

How can you lure more foxes out if there aren't the roads to lure them on to?"

Bernie Purdue, as he speaks, is slowly getting into what he will be wearing for his run home tonight. He'll be putting on a nondescript coat, trainers, anonymous shirt and shabby leather gloves. It's not very... well, glamorous, is it? "And that's another thing – people are always expecting fox-motoring to be all posh and stuck-up, wearing sheepskin jackets and smart caps, maybe even chauffeur-driven with smoky windows to keep out the gaze of the masses... Well, it's not like that! You'll find a real cross-section of the public out there running over foxes! Rich and poor, posh and humble.

That's the glory of fox-motoring! It appeals to everyone, high or low. And if they try and wipe it out, it'll be a whole way of life gone. Do you know that the first recorded fox to be run over was in 1903, in Beckenham? How are we going to celebrate the centenary if people go on cracking down on the poor old motorist? We'll be reduced to getting the occasional hedgehog at this rate. And have you ever thought of the jobs that would be lost, all the garage and servicing and petrol-filling and bodywork repair jobs? All the simple craftsmen who depend on fox-motoring...?"

Yes, but hold on a minute. Surely fox-motoring is a very haphazard way of eliminating foxes? And what has he got

against foxes anyway?

"What have I got against...? You must be joking! Foxes are the most incredibly destructive animal. They cause the most awful damage! Paw marks all over the bodywork, scratches and bite marks on the paintwork, blood all over the place after a kill, dented panels... you name it."

Yes, but many a motorist could go for years without even seeing a fox. So what's the point?

"It's the sport of it," says Bernie simply. "It's the exhilaration of getting out there on the open road, headlights blazing, knowing that any moment a fox might run across the road and under your wheels..."

Might you not also get a stoat or rabbit or pheasant?

"Yes, you might," says Bernie, visibly brightening. "Or with luck you might even get a cyclist."

They're not legitimate game, surely? Cyclists are human, aren't they?

"Matter of opinion," says Bernie. "Anyway, all I'm saying is that if you've been out for a spin and even if you haven't hit anything, you still come back feeling on top of the world. It's a tremendous feeling. You'll never know what it's like if you don't do it. Want to come for a spin? Light's fading, wildlife is coming out – we might get something..."

I made an excuse and went back to London by train.



## A political battle that the military is sure to win



DONALD  
MACINTYRE  
DEFENCE  
EXPENDITURE

Not long after the election George Robertson, Secretary for Defence, came to a Cabinet committee meeting and chirpily told his colleagues he had some good news to impart. The German government had now decided to give the Eurofighter project the go-ahead. His announcement failed to have the desired effect on at least one of his colleagues, Gordon Brown, Chancellor of the Exchequer, who reacted by rolling his eyes heavenwards, rather as he had done a few days earlier when given the same information by Theo Waigel, the German finance minister.

Given that Eurofighter will gobble up £160m over 30 years, Mr Brown's evident lack of enthusiasm is pretty understandable. It also presages what could yet prove to be one of the big looming internal conflicts of the current Parliament: whether or not the defence budget can yield up some of the money which is needed to fulfil the pledges to spend more on health and education. Ask almost any minister where this money will come from and they mention, almost mechanically, social security and defence. These are, after all, the biggest budgets. Since part of the thrust of welfare reform is to reduce social security spending, the DSS is a natural candidate for cuts. But expectations of defence also yielding up some of its treasures are also high. The unilateralist tendency in the Labour Party is disappearing fast. But there are quite a lot of impeccably New Labour MPs who believe there is plenty of peace dividend still to come.

Savings in the defence budget are an issue tailor-made for Gordon Brown. There are not many issues in which it can be left-wing to cut public expenditure. Defence, by contrast, has the potential to be the issue over which Brown the true Labour radical, and Brown the Iron Chancellor most perfectly converge. The Treasury has anyway long been deeply sceptical of the defence budget. Norman Lamont as chancellor got so fed up with the arguments deployed in favour of the arms bill, that he once wrote a Cabinet minute daring to question the point of Britain's permanent membership of the UN Security Council. Brown, with a highly developed sense of Britain's international leadership role, isn't remotely of that cast of mind. But he has been ruthless over the past few weeks in exposing elements of expenditure that the Ministry of Defence would no doubt rather prefer to keep from Treasury eyes.

But MPs expecting deep cuts in defence should not get their hopes up too high. It isn't generally realised quite how deep were the cuts made by the Tories, largely because it is not in the Tories' nature to take credit for such a thing. Since the mid-1980s defence spending has been reduced by 29 per cent – leaving its share of GDP at 3.5 per cent,

the lowest level since the 1930s. Since 1990, armed forces levels, despite the current presence in Bosnia and Northern Ireland, have been reduced from 315,000 to 215,000. These figures are important for two reasons. First, they dramatise the dangers of further cuts. The Treasury is quite right to point out, as it has been doing, that the switch of £160m from Defence to Health this autumn passed without a murmur. If the Labour Party of the early or mid-1980s had promised anything similar, it would have been regarded as yet another proof of its softness on defence. But the Tories would nevertheless be merciless in exploiting the still raw memories of Labour's unilateralist past if the Government continued cutting at anything like the rate of the previous one.

Secondly, and this may illustrate a deeper truth, Labour is not naturally the defence cutting party. Margaret Thatcher's reputation as the Iron Lady was in fact built on the decision of her Labour predecessor, James Callaghan, to raise in the late 1970s defence spending by 3 per cent a year – a growth sustained until she herself sanctioned reversal of that trend in around 1985. Before the election Tony Blair promised several people that Labour was the party radically to reform the welfare state because Labour had brought it into being. In the same way, it may be that the Tories can cut defence in a way that Labour can't.

But this has to do with more than just mere electoral politics. It has equally to do with Blair's own vision of Britain's role in the world, expressed most forcibly in the Mansion House speech. This was the most unequivocal statement yet of his view that "we need strong defence, not just to defend our country, but for British influence abroad ... we must not reduce our capability to exercise a role on the international stage." The composition of the Ministry of Defence is, I think, no accident. Three of the ministers, Lord Gilbert, John Spellar and Robertson himself, are bastions of the old Labour right, veterans of the anti-unilateralist struggles of the 1980s. It's true that the armed forces minister John Reid has different political antecedents; but as a close ally of Neil Kinnock in the early 1980s he worked hard to edge Labour's defence policy back to the political mainstream. He also happens to believe strongly in a role for the armed forces which goes well beyond readiness for the post-Cold War threats, such as Iraq, and into that of peacekeeping and engagement which may not be confined to the direct promotion of British interests.

There will no doubt be big changes as a result of both the Strategic Defence Review and the parallel, Treasury-led comprehensive spending review of defence. There will be new efficiencies; including, no doubt, an end to the triplication of many bureaucrats and military staff serving each of the three services. I would not bet on the Government buying all of the 232 Eurofighter aircraft to which they are committed. More tanks will be mothballed on the European front than the Army would like. But some of those who call most vociferously for cuts are also, as the left-wing MP Andrew McKinley pointed out in a Commons defence debate last month, those who will say fastest that something must be done if war breaks out again in Bosnia. There will be a battle within the Cabinet, especially if welfare reform fails to yield the social security cuts hoped for it. There may be some modest savings to be used for health and education. But defence is unlikely to prove the pot of gold that some other spending ministers hope and expect it to be.

## There's no escape from the world of the global commercial



SUZANNE  
MOORE  
CELEBRITY  
ADVERTISING

It is the year 2012. There is a Teletubbies revival and Baby Spice has just taken over as the new landlady of the Queen Vic Internet Salon in *EastEnders*. Tony Blair is still everywhere. He may no longer be Prime Minister but he appears regularly on our TV screens advertising a new chain of restaurants, Planet Politics. Having already done rather well out of endorsing private health care plans, he, Bill Clinton and Lionel Jospin have got together a nice little franchise in which you can eat turkey burgers – the last remaining cow was publicly executed several years ago amidst a display of digitally mastered world leaders.

Others of his ex-ministers are also cashing in. There is Lady Mowlam in another wacky Guinness commercial and Peter Mandelson flogging the very latest surveillance technology. Harriet Harman has endorsed the latest contraceptive device (a form of electronic tagging), while Jack Straw has been reduced to voice-overs for personal alarms. No one begrudges them the money though; there is a feeling among the advertising industry that celebrity endorsements are no longer where it's at. There are just so many damn celebrities selling so many damn products that the public has become sceptical. Market research shows that the only celebrities the public trusts are the ones who refuse to advertise dogfood, and since Dennis Skinner has cornered that market, that leaves hardly anyone.

Actually this future is not so far off. Nigel Lawson, Ken Livingstone, Denis Healey, Fergie, George Bush and Henry Kissinger, among others, have all lent their name to one ad campaign or another. Mikhail Gorbachev, the last leader of the Soviet Union, is the latest to succumb to the lure of filthy lucre. He has just shot a television commercial for Pizza Hut for which it is reported that he was paid close to a \$1m.

In the ad he arrives at Pizza Hut by limousine and the other diners notice him. One pipes up, "Because of him, we have economic confusion." A

younger man disagrees, saying, "Because of him we have great opportunity." Some argument takes place until an older woman says, "Because of him we have things like Pizza Hut." Everyone rises and give a standing ovation to Mr Gorbachev, holding their pizza slices aloft in tribute. The former leader does not actually eat any pizza but smiles benignly as his granddaughter tucks in.

There are no plans to show the advert in Russia, which is just as well as Gorbachev is extremely unpopular there. The ad has already been ridiculed by the Russian press; but since leaving office, Gorbachev has done a number of odd jobs. He has been a newspaper columnist, after-dinner speaker and appeared in a Wim Wenders film talking about Dostoevsky. He has also made another ad, for Apple computers in Germany. Yet he realises that this Pizza Hut commercial is a new step. He had previously considered it "unsuitable" for someone of his standing. But as Marx didn't say in the ideological battle between capitalism and communism, fast food will always triumph.

Does buying up "integrity" in the form of endorsements from ex-politicians really work? Gorbachev gets his dish and Pizza Hut gets an ad that people will talk about for a week or so; but will it make us buy more pizza, which is what it is all in aid of?

To see a former world leader advertising a rather tacky food chain has novelty value, but surely in some way it devalues the reputation of that leader. In our hearts we know that politics and commerce are not two mutually exclusive areas, but much of the time we like to pretend that they are. The idea that all politicians can be bought, one that we are unfortunately familiar with, eventually contributes to our lack of respect for them. The sight of Fergie desperately slurping cranberry juice is not a pretty one, yet Fergie really has nothing to lose in the credibility stakes.

However, even non-politicians have to be careful here. The Spice Girls have made the mistake of lending their names to so many products that their endorsement has become meaningless – cola, crisps, body spray. You name it they have overkilled it. The result is that their own branding has suffered.

While it may be easy to criticise particular individuals for selling out to the ad industry, the real story in advertising is not about celebrities as products but about the way advertising now forms the environment in which we live. The refusal of the Government to ban tobacco advertising was in part an admission that it could not effectively enforce such a ban.

The current battle between Adidas and Nike about who is

to be most visible during the 1998 World Cup finals involves huge sums of money – Adidas has paid £20m to be one of the official sponsors of the tournament – as well as complicated strategies to ambush each other's ad campaigns. As it is, an estimated 500 million people will watch the games, and it will only take a small percentage of them to go out and buy these trainers for either company to boom. Even those who don't buy them will have great brand recognition. Indeed this kind of sponsorship gives these companies such sophisticated and ubiquitous product placement that Nike was happy to pay £250m over 10 years to sponsor Brazil.

Much of leisure, whether it involves sports or computing, takes place in environments that are totally monopolised by huge companies – from Nike to Pepsi to Microsoft – that are becoming virtually impossible to regulate. This is part of what globalisation means. There is little in the culture that cannot be used to sell to us. One by one, every "classic" pop song is used up, whatever the reputation of its creators. Thus the Velvet Un-

derground can sell us tyres. Lou Reed the BBC and Janis Joplin's ironic ditty "Oh lord won't you buy me a Mercedes Benz" is used without a trace of irony to sell us Mercedes Benz.

All of this means that the existence of a space outside of advertising, outside of consumerism, becomes smaller and smaller. When everything and everyone becomes pure product to help shift other product, then maintaining brand recognition takes up more and more time, space and money. The stimulation of consumer desire is a massive operation.

In such a context, ex-world leaders like Gorbachev, selling their souls for a slice from the big pizza, are actually small fry, because when everyone and everything is for sale, because when it is assumed that ultimately every one has their price, we are all cheapened. It is not the ads that are beamed into our living rooms that we need to worry about as much as the fact that the backdrop of much of our lives is now little but an advertising hoarding. Gorbachev should have just said no. The rest of us don't have much choice.



Pizza salesman: a foretaste of Mikhail Gorbachev's new career in advertising

Photomontage: Jonathan Arac

## Memo to the Iron Chancellor: don't pick fights you can't win



RUPERT  
CORNWELL  
THE EUROPEAN  
PRESIDENCY

This may not be the decent moment to do so, but cast your mind back to the last time Britain held the Presidency of the European Union, five long years ago. This morning, Tony Blair ushers in our six-month term with some New Labour fun and games at Waterloo Station – a rousing speech, flashing videos and further national rebranding, all in the presence of dignitaries disgorged from a Eurostar train, symbol of our unbreakable ties with the lands beyond the Channel.

In fact of course we don't start the job until January 1, but custom now dictates that the incoming Presidency rings the celebratory bells a few weeks early. And this time they will have a distinctly sweeter chime. Labour after all has placed itself squarely "at the heart of Europe" and broken the self-defeating cycle of Tory Euroscepticism.

Or has it? Yes, there are new players, and the mood music has changed almost beyond recognition. But consider, uneasily, a couple of parallels between today and the second half of 1992. Then as now, a modest whiff of Europhilia was abroad in the land. The Maastricht treaty on European union had just been signed and John Major had secured his opt-out from the Social Chapter, sup-

posedly saving Britain from creeping Euro-socialism. The federal beast, it had been proved, could be tamed. Maybe Europe wasn't so bad after all. We all know what happened next.

First Denmark rejected the Maastricht Treaty. Then that psychological setback was dwarfed by the humiliation of Black Wednesday, as the pound crashed out of the ERM. This time of course, there's no risk of watching half the Bank of England's reserves evaporate over the duration of a banker's lunch. But once again trouble is brewing over money – to be precise, the institutional arrangements for the ERM's successor, the single currency.

The Blair prime ministership will certainly not be destroyed by the issue as Major's was by Black Wednesday. But after six months of sweet-talk, the honeymoon with Europe is abruptly over. Gordon Brown is sulking and the Government is sounding, and acting, Old Tory. With one important difference, however. The Conservatives knew they could expect few favours in Brussels. Labour is getting the reverse of what it expected.

The row, to recap, is over whether Britain should be represented on Euro-X, the informal committee of Finance

Ministers from the 11 (of 15) EU members who will sign up for the single currency launch in January 1999. Mr Brown, struggling to preserve Britain's claim to be a European peace-setter, says we cannot be excluded from what might become a crucial decision-making body. To which the others retort that Britain cannot have its cake and eat it – or, in the charming formulation of France's finance minister, that the common currency is a marriage, and "partners in a marriage do not want anyone else in the bedroom". And that was that. Our Iron Chancellor left with a flea in his ear, and a lesson learnt the hard way: don't pick fights you can't win.

For whatever happens, the Euro-club members will confer regularly among themselves on economic policy. The British can throw the rule-book at them and prevent them meeting on EU premises on the grounds that some EU members are being excluded: in which case the 11 can repair to a local brasserie to deliberate, or do the whole thing by conference call between their capitals. If they don't want the British along, they won't have them.

And to make matters worse, the quarrel was unnecessary,

even counter-productive. All it has done is raise the profile of a committee which the Germans anyway would have made sure did not interfere with Bonn's goal of a single currency managed by a European central bank as austere, unbending and apolitical as the Bundesbank. And where had Mr Brown got the idea he might get in? Certainly not from the French at the Canary Wharf summit last month. Perhaps from the Germans. But force the Germans to choose between France and Britain on an article of European faith such as the single currency, and they'll go with the French. Thus was another miscalculation exposed. The Government thought that simply by dint of the fact they were not Tory, and because they talked positively about the European enterprise, their partners would fall over themselves to accommodate every British demand. Not so.

But all is far from lost. Despite the Euro-X spat, this Government is infinitely more benignly regarded in Europe than its squabbling and bloody-minded predecessor. And so to Waterloo and the Presidency, a six-month turn under the lights. True, Britain will be on the sidelines as the key EMU decisions are taken (who's in, and at what

exchange rates). But Messrs Blair, Brown, Cook and the assembled cast will have every opportunity to shine, organising 50 summits and ministerial meetings over the six months, setting agendas, launching EU enlargement and driving through decisions on the environment, drugs and crime fighting – all grist for the Blairite mill of a "People's Europe." And finally there is the "bully pulpit" power of the EU presidency, of which the Government is making much.

But as Mr Brown found out this week, you can bully Europe only so far. More important is this new chance of reminding the domestic audience of the merits of the European Union. "Message" is something this Government excels at. There will be glitzy logos and catchy initiatives, all designed to implant the notion that Europe – and by extension the single currency the Government insists it wants to join – is a good thing. But first that Euro X business must be buried. Let Mr Blair grasp whatever face-saver is on offer at next weekend's Luxembourg summit, for nothing would do more to spoil his Presidency than endless headlines proclaiming "New Row over Europe". It wouldn't be 1992 all over again, but it could get very messy.

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## Alsthom flotation arms GEC with £2.5bn war chest for acquisitions

GEC yesterday launched a long-awaited restructuring by announcing the flotation of the Anglo-French joint venture GEC-Alsthom, a £300m share buy-back and further disposals of UK industrial businesses. Once completed, the managing director George Simpson will have a £2.5bn cash pile at his disposal. Michael Harrison examines how he might spend it.

The flotation of GEC-Alsthom will take place in the first half of next year and is expected to value the power systems and transportation group at between £4bn and £5bn. GEC and Alcatel Alstom are selling off 52 per cent of their combined holdings and have agreed not to dispose of the remaining 48 per cent for a year after the flotation.

On flotation, the company will be renamed Alstom and will be listed in Paris, London and New York with headquarters in France. The sale will net GEC between £1bn and £1.3bn. Together with the £300m GEC expects to raise from the disposals of other UK subsidiaries and the £1.2bn already in the balance sheet, GEC will have a war chest of £2.5bn.

The proceeds will be used to finance acquisitions to bolster GEC's defence electronics business Marconi but Mr Simpson did not rule out returning more capital to shareholders in if it could not find businesses that would produce a satisfactory return.

The City broadly welcomed yesterday's announcements, the first real fruits of the restructuring programme since Mr Simpson arrived from Lucas 15 months ago and set out his blueprint for the future of the business in July. Pre-tax profits for the first half were 5 per cent higher before exceptional items at £442m, broadly in line with expectations. The shares rose 13.5p to

403.5p. Although GEC had been planning to sell all of its 50 per cent stake in GEC Alsthom, Mr Simpson described the partial flotation as "a perfectly satisfactory outcome". GEC and Alcatel will appoint an equal number of non-executive directors to the board and Mr Simpson said he did not expect the senior management of the company to alter.

The scale of the buy-back was limited by tax complications since share repurchases are classed as distributions for tax purposes and therefore liable to Advanced Corporation Tax (ACT). GEC has authority to repurchase up to £1.6bn of its capital but had it gone for a bigger buy-back it would have been left with surplus ACT when the tax is abolished in April, 1999.

Mr Simpson would not be drawn on the likely targets for GEC's acquisition spree but analysts were sceptical of how easy it would be for the group to find suitable deals. Last month it lost out to British Aerospace in the bidding for Siemens Defence Electronics and for the time being the French have ruled out foreign participation in the privatisation of the defence electronics group Thomson CSF.

Despite this Mr Simpson was upbeat, predicting that the re-organisation of the French defence industry would prove the prelude to it joining in a wider European consolidation that would inevitably involve GEC.

The UK industrial businesses which GEC expects to sell include its semiconductor subsidiary GPS, Marconi Instruments and its aircraft chartering business. A handful of international trading businesses are also being sold.

Mr Simpson said GEC was continuing to work with Siemens to "reposition" their joint telecoms venture OPT. Having at first seemed intent on selling its 60 per cent stake, GEC may now hold onto it and may even seek to buy Siemens holding.

GEC will appoint a new chairman early in the new year to succeed Lord Prior, who retires in March.



At liberty to differ: Brian Myerson (left) and Denis Cassidy

## Gloves off as family feud erupts at Liberty

A bitter family feud has broken out in the battle for control of Liberty, the upmarket Regent Street retailer. The founding Stewart-Liberty family looked certain to succeed in its attempt to oust the group's chairman, but yesterday the board said it had the support of three other branches of the Liberty family dynasty. As the insults start to fly, Nigel Cope, City Correspondent, looks at a messy squabble.

The Liberty board is now claiming it has the backing of 34 per cent of the group's shareholders and has a fighting chance of defeating a motion to oust Denis Cassidy, the group's chairman, at an emergency meeting next Thursday. The board says its support comes from several institutional

investors (18 per cent) and three branches of the family who are cousins of the Stewart-Liberty (16 per cent).

This group consists of around 25 members of the Blackmore, Moffett and Codling families. They are all descendants of Emma Louise Blackmore, the second wife of Liberty's original founder, Arthur Lazenby Liberty. As the couple had no children, control of the company passed to the Stewart-Liberty family.

Some insiders say that the Blackmores, Codlings and Moffetts may have decided to back the board as they have been unimpressed with the performance of the company in which the Stewart-Liberty's have long had a dominant role. The other branches of the family have never had any management input into the business.

It is clear that the battle for control has caused a serious rift between the various family factions. One family member backing the board said yesterday: "What the family has done is devious and despic-

able and we cannot understand why Elizabeth Stewart-Liberty (who requisitioned the EGM in October) is taking this action."

Elizabeth Stewart-Liberty, the widow of the group's previous chairman, Arthur, requisitioned the meeting to oust Denis Cassidy because the family was unhappy over the company's performance and the board's plans to spend £43m on re-developing the group's flagship Mock Tudor store in London's Regent Street. The plans include a food hall and restaurant on the upper floor.

She joined forces with rebel investor Brian Myerson who has a 17 per cent stake even though she had been strongly critical of him in the past. The concert party now has the backing of 47 per cent of the votes.

However, the rest of the board have said that if Mr Cassidy goes they may feel in an untenable position. The advisers have all threatened to resign while the group's

bankers may review the funding support for the refurbishment.

The board was in upbeat mood yesterday and has sent out an additional circular to investors. Andrew Garey, finance director said: "We think the vote will be very close. This is why we have sent out another document to remind people that they will not be wasting their vote."

Odile Griffith, the financial representative of the Stewart-Liberty family, disputed the board's level of support yesterday and said the family was confident they would win. "Come Thursday, everything will be revealed."

Though Mr Cassidy and the board still look unlikely to win there are still several blocks of votes to play for. There are several institutions account for 13 per cent of the company, which have yet to show their hand. But the final outcome could well come down to the few hundred private shareholders who control five per cent of the company.

## Reuters in £1.5bn shareholder handout Another executive to go at BSkyB

Reuters finally found a home for its growing cash pile yesterday with an innovative scheme to return £1.5bn to its shareholders. Peter Thal Larsen finds that a whole host of other companies are waiting to follow suit in swapping debt for equity.

The financial information provider is effectively bidding for itself. A new holding company - Reuters Group plc - is to offer 13 new shares and £13.60 in cash for every 15 existing Reuters shares. The move will return a total of £1.5bn to shareholders, leaving the company with net debt on its balance sheet for the first time since 1981.

Rob Rowley, finance director, said the move would improve the company's return on capital.

"When you have cash earning a 5 per cent return and shareholders looking for 10 per cent you have a bit of a drag on your performance," he explained.

Mr Rowley said the plan would cost Reuters about £30m in one-off tax and other costs, but avoided the huge Advance Corporation Tax (ACT) bill that share buybacks normally incur. "If we had not done this the scale of the deal would have been limited to half the size," he said.

Although Gordon Brown, the Chancellor, announced the abolition of ACT last month, it will not be fully phased out until 1999.

Investors have long criticised Reuters for hoarding cash. An attempt to return £613m to shareholders last year was thwarted when the Inland Revenue changed the rules on tax credits attached to special dividends. However, Reuters said the new scheme had full approved Inland Revenue approval.

The announcement went

down well with investors, who pushed Reuters shares up 30.5p to 710p. "It's good news," said an analyst. "It should improve their return on capital."

The move is expected to release a wave of capital from other companies eager to hand back cash to shareholders. SBC Warburg Dillon Read, the merchant bank which designed the Reuters scheme, is talking to at least another six companies with similar plans. "The pipeline is fuller now than it has ever been," said corporate financier Max Ziff.

Warburg calculates that over £9.5bn has been returned to shareholders by companies since October 1996. But that's just a small proportion of the amounts companies could hand back. "UK plc is undergirded compared with the rest of the world," said Mark Tinker, UK equity strategist at investment bank UBS.

He calculates that if British companies took on the same

level of debt as companies elsewhere, they would be able to buy back shares worth £100bn. Cash-rich companies like Marks & Spencer and Bass are prime candidates to take on more debt.

Mr Tinker said the abolition of dividend tax credits in July's budget had reduced the attraction of dividends for investors, making it easier for companies to buy back shares. However, the continued existence of ACT - which requires companies to pay tax up front on any money they pay to shareholders - made large buybacks impossible, prompting groups like Reuters to devise complex schemes that avoided ACT.

Now that ACT is to be abolished, however, companies will be free to buy back as many shares as they like. Indeed, Reuters announced yesterday that, in addition to the £1.5bn pay out, it would buy back shares worth £200m during 1998.

BSkyB is bracing itself for the resignation of another senior member of staff as Jeremy Boulton, director of programme acquisitions, is poised to quit the satellite broadcaster for a similar position at the newly invigorated ITV.

According to well-placed industry sources, Mr Boulton is to join ITV as controller of acquisitions, replacing Jeff Ford, who left recently for Channel Five. The move will come as a blow to BSkyB which, under its new chief executive, Mark Booth, is trying to increase its investments in programming.

Mr Booth, who formerly took over from Sam Chisholm last month, said earlier this week that BSkyB would start making made-for-television films with budgets of up to £5m. The satellite broadcaster has also been looking at taking minority stakes in independent production companies, although it is now thought to have backed away from that approach.

The latest departure follows a succession of senior staff changes triggered by the exit of Mr Chisholm. He resigned in the summer due to ill health, and his deputy, David Chance, also said he was stepping down, although he remains as a consultant. Since

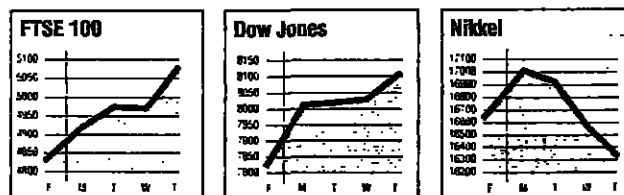
## Halifax raises mortgage rates

Up to 2.5 million households are to face higher mortgages from next year following the decision by the Halifax, the UK's largest lender, to raise the cost of borrowing. The news dampened the relief felt across the country after the Bank of England's Monetary Policy Committee voted to keep the base rate on hold at 7.25 per cent.

Halifax will raise its standard variable mortgage rate by 0.25 per cent from 8.45 per cent to 8.70 per cent immediately for new borrowers, and from Jan-

uary 1 for existing borrowers, adding £7.54 to the current annual monthly mortgage payment on a repayment mortgage of £373.77 on a £50,000 loan. It said it was a delayed reaction to the last increase in interest rates. Deputy chief executive Glyn Folwell said: "We believe that this will not have a detrimental effect upon the housing market and we are optimistic what the continued gradual improvement in house prices will continue into 1998." Base rates unchanged, page 27

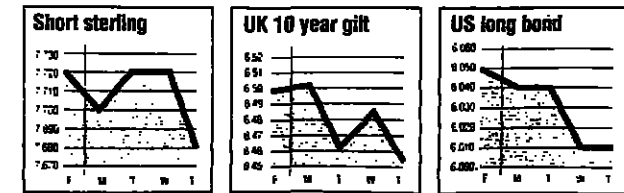
## STOCK MARKETS



Indices

Index	Close	Change	Change%	52 wk high	52 wk low	Yield%
FTSE 100	5082.30	111.60	2.25	5367.30	3882.70	3.46
FTSE 250	4724.50	32.10	0.68	4963.80	4321.80	3.37
FTSE 350	2442.80	46.50	1.94	2570.50	1835.70	3.44
FTSE All Share	2385.05	43.40	1.85	2507.85	1842.20	3.43
FTSE SmallCap	2291.4	12.50	0.55	2407.40	2127.50	3.33
FTSE Fledgling	1247.6	3.10	0.25	1346.50	1198.70	3.38
FTSE AIM	970.6	1.50	0.16	1138.00	965.90	1.07
Dow Jones	8108.10	73.61	0.92	8299.03	6236.05	1.08
Nikkei	16306.79	278.72	1.68	21001.90	14966.13	0.95
Hang Seng	11474.94	267.36	2.39	16820.31	8775.88	3.70
Dax	4139.80	56.91	1.39	4459.89	2760.76	1.78

## INTEREST RATES



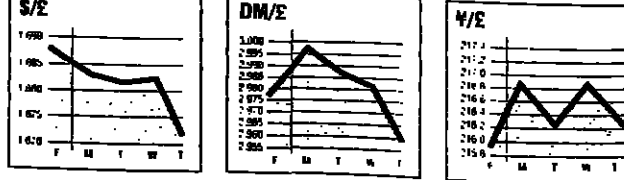
Money Market Rates

Index	3 month	1 yr	1 yr cdy	10 year	1 yr cdy	10 year
UK	7.75	1.34	7.93	0.97	6.45	-0.97
US	5.94	0.44	6.03	0.34	5.81	-0.29
Japan	0.71	0.24	0.79	0.20	1.82	-0.70
Germany	3.76	0.52	4.09	0.81	5.39	-0.38

## MAIN PRICE CHANGES

Rises	Price (p)	Chg (p)	% Chg	Falls	Price (p)	Chg (p)	% Chg
AEA Technology	483.00	40.00	9.03	Stokes PLC	100.00	-5.75	-5.44
Reckitt & Coleman	956.50	70.50	7.36	Bellway	332.50	-1.00	-0.30
Northwich Union	393.00	25.00	6.39	Reed Int'l	618.00	-15.50	-2.49
Gen Accident	1078.00	67.00	6.63	Lorho	90.50	-2.00	-2.16

## CURRENCIES



Exchange Rates

	at 10am	Change	1 yr Ago		at 10am	Change	1 yr Ago
Dollar	1.6719	-1.24c	1.6385	Swedish	0.9981	+0.44p	0.9103
D-Mark	2.9598	-2.10p	2.5666	D-Mark	1.7893	-0.04p	1.5515
Yen	216.21	+0.39	185.91	Yen	129.32	+0.72	113.01
£ Index	105.30	-0.10	91.80	S Index	107.50	-0.20	98.10

## OTHER INDICATORS

	at 10am	Change	1 yr Ago		at 10am	Change	1 yr Ago
Brent Oil (\$)	17.89	-0.10	23.81	GDP	113.90	3.80	109.7
Gold (\$)	288.65	-3.40	268.45	RPI	159.50	3.7	153.81
Silver (\$)	5.30	-0.02	4.75	Base Rates	7.25	6.00	

www.bloomberg.com

source: Bloomberg

## Pru offers £7.4m pensions olive branch

The Prudential yesterday admitted it had yet again missed another deadline for dealing with top priority pensions mis-selling cases. But, in a conciliatory move, the company has despatched £7.4m to those customers whose cases have yet to be completed. Lea Paterson reports.

The Prudential, the UK's largest pensions provider, has missed its third pensions review target this year. Its regulator, the Financial Services Authority (FSA), wanted it to complete all 31,000 of its top-priority pensions mis-selling cases by the end of last month. But yesterday, the company said that difficulties in obtaining data meant

it had completed only 91 per cent of cases. "With hindsight, we underestimated the complexity of the exercise," said John Elbourne, managing director of Prudential Assurance.

However, last weekend, the Pru sent out £7.4m in cheques to the 3,000 people whose cases the company has been unable to complete. Families of customers who have died during the review will each receive £10,000. Those who have retired will receive £2,500.

Mr Elbourne was keen to stress yesterday that the advance payments had "no strings attached". Customers who cash in their cheques are not obliged to accept the Pru's final offer. Nor will customers have to repay the Pru if the final offer falls short of the advance payment.

In recent months, the Pru has been subjected to stinging criticism from both Helen Liddell, the Economic Secretary to the Treasury, and the FSA

(then known as the Securities Investment Board) for dragging its feet in the pensions mis-selling review.

The company missed regulatory deadlines in both June and September, prompting the FSA to declare in October that the Pru had failed to act with "due skill, care and diligence". Following this "naming and shaming", Sir Peter Davis, the Pru's chief executive, publicly apologised to the victims of mis-selling. Speaking on BBC2's *The Money Programme*, he said: "We're very sorry about those who have been hurt and we're doing everything we can to try and deal with the issues."

The Pru's advance payments are not substitutes for full recompense for pensions mis-selling, as emphasised by both the FSA and the Treasury yesterday. A spokesperson for the FSA said: "Measures that are beneficial to investors are always wel-

come, but this does not mean that the cases are complete". A spokesperson for the Treasury agreed, saying: "We welcome it [the advance payment initiative] as an earnest of good faith, but it is not a proper substitute for a prompt, full and fair settlement."

Mr Elbourne said yesterday that the Pru had been unable to meet last month's regulatory target because customers had failed to return information essential to the review. The Pru hopes that the weekend's advance payments will prompt customers to provide the data the company needs. Mr Elbourne added that the Pru has received 500 calls to a special pensions helpline since the cheques were despatched.

The Pru's next deadline is the end of December, by which time it is required to complete 90 per cent of lower priority, so-called "Priority Two and Three", cases.

صكنا من الامم





## OUTLOOK ON THE DANGERS OF REUTERS-STYLE CAPITAL DISTRIBUTIONS AND THE FUTURE OF GEC

# The lazy route to enhanced return on capital

There is nothing particularly new in share buy-backs, special dividends, capital reconstructions and the like, but they do seem to be sweeping corporate Britain right now as never before; the business of handing out large amounts of cash to shareholders has very definitely become a phenomenon.

Reuters and GEC yesterday became the latest to catch the bug - the former with a £1.5bn distribution, the latter with a £300m buy-back and the promise of more to come. It was tempting to think that Kenneth Clarke, the former chancellor, effectively killed these things off when he cracked down on dividend tax credits just ahead of his last budget. Remove the tax incentive, and capital distribution schemes would lose much of their appeal, was the general view. Not a bit of it. Since then, £9.5bn has been returned to shareholders over and above ordinary dividends and there are now more of these things in the pipeline than ever before.

What's causing companies to hare down this route? Are these handouts just another fee earning device for investment bankers, a temporary and possibly financially quite dangerous corporate fad, or are there good reasons for companies to be doing this? Like most things commercial, the fashion comes from the United States, where capital distributions of the type launched by Reuters yesterday are now so common that they often go unreported.

Reuters and its advisers, SBC Warburg, have come up with a clever new way of performing the trick, even if it amounts to just a variant of the same thing: the company

is bidding for itself. The effect is to structure the transaction as an exercise in capital rather than an income distribution, and thus allow Reuters to avoid paying advance corporation tax on the whole thing. This is particularly important for Reuters, since most of its earnings are overseas and it would therefore be unable to offset the ACT against its main UK tax bill.

Most companies are not in this position, and in any case would probably find the Reuters approach just too complicated and expensive to try. All the same, virtually every company runs up against some sort of ACT problem when it attempts a distribution of this sort, even though most can eventually offset the extra ACT liability against their main stream tax. All impediments will cease in April 1999, when ACT is abolished, and it will then be no holds barred. If you think there are already far too many capital distributions, just wait till then. According to one estimate, there is £100bn of potential for handouts in the UK stock market.

In business there are two ways of improving return on capital and thus shareholder value. One way is the self evident and wholly commendable one of striving for improved efficiency and general business success. But if this seems too much like hard work, there may be another. Plainly the rate of return also goes up if the cost of capital is reduced. Since debt is always a good deal cheaper than equity, because it is generally considered a less risky form of capital, it can obviously make sense to replace the equity with debt.

Some companies can halve the cost of

their capital in this way, and produce a corresponding rise in the rate of return. This is very much the lazy route to improved return on capital, so it is not hard to see why it appeals to so many executives.

However, there are obvious dangers. If companies load themselves up with too much debt they may become unable to fund their interest costs when the economy turns nasty. That's probably not going to happen with a company as large and financially robust as Reuters, but it is possible with smaller more cyclical companies which have perhaps been forced too far down this road by a hostile takeover bid.

Furthermore, the phenomenon may have some adverse effect on direct investment in the economy. Logically it shouldn't, since reducing the cost of capital in a company should improve the expected rate of return on new investment and therefore make managements even keener to invest in new projects. However, this is very much theoretical, business school mindset which though it might strike a cord among some FTSE 100 companies, doesn't belong to the real world of ordinary business. For most companies, having cash in the bank makes the difference between making do with the old machinery and buying the new.

The argument for buy-backs also suffers from a fatal flaw. By loading up with debt, the company increases the cost of its equity, since by definition the remaining equity must become more risky. In very highly geared companies, the cost of the debt may also become excessive, simply because no one will lend on any other terms. In other

words, there may be no net benefit to the cost of capital.

To assess the real effect of all these capital repayments on the fabric of our companies, we are going to have to await the next recession and cyclical peak in interest rates. Some companies are going to regret they ever listened to the investment bankers. In the meantime, everyone makes hay.

## GEC will still have money to spend

Reuters rather stole GEC's thunder with its blockbuster buy-back but if George Simpson can successfully complete the reconstruction of the empire bequeathed by Lord Weinstock, then he will not mind too much. The strategy as set out is simplicity itself. Sell off the joint ventures in trains, planes and telecoms and reinvest the cash in acquisitions to turn Marconi into a world beating defence electronics business. Unfortunately, life is rarely that straightforward in the world of international defence manufacturing.

A year and a bit into the task, progress remains patchy. Mr Simpson inherited a business with a hopelessly inefficient balance sheet and a risk-averse culture. He has gone some way to addressing the latter handicap, notably with the streamlining of the management and the appointment as finance director of John Mayo from Zeneca, who can be relied upon to ginger things up.

But the net effect of yesterday's an-

nouncements, notwithstanding the £300m share buy-back, will be to leave the balance sheet groaning under more not less cash sitting on deposit at Barclays. The flotation of GEC Alsthom should bring in £1bn while another £300m is likely to be raised from the disposal of the rump of GEC's UK industrial businesses. Together with the £1.2bn already on hand, Mr Simpson will have a war chest of some £2.5bn ready to spend on acquisitions. If GEC goes the whole hog and loads up with debt, then its spending power would be even greater.

The problem with having that sort of money burning a hole in your back pocket is that the market tends to see you coming. Mr Simpson knows this. He declined to pay the asking price for Siemens Defence and as a result lost out to his erstwhile colleague, Sir Dick Evans of British Aerospace.

Mr Simpson was not sharing his thoughts yesterday as to where else the money might be invested. But France looks to be off the menu for a while given the Jospin government's determination to keep its defence restructuring an exclusively Gallic affair. Openings also look limited in the US, where GEC would love to do some deals but keeps running into the brick wall known as the Pentagon black programmes.

That leaves the option of handing more cash back to shareholders. GEC pleaded tax problems for the modest distribution announced yesterday. But in his previous life, Mr Mayo was a high-flying corporate financier with Warburgs. After Reuters example yesterday, he will not be short of an idea or two.

## Labour faces 'Yes Minister' rift over coal crisis

A policy rift has opened within the Department of Trade and Industry, after it emerged that senior civil servants attempted to block Labour's recent initiatives to defuse the coal crisis. *Chris Godsmark, Business Correspondent, reports on the increasingly frosty relations which observers have likened to an episode from "Yes Minister."*

The internal disagreements between ministers and officials over energy policy have come as Labour faced increasing criticism from mining unions and industry executives over the coal crisis.

John Battle, the Energy Minister, has been accused by unions of focusing too much attention on attacking Richard Budge, chief executive of RJB

Mining, and too little time trying to prevent looming pit closures.

Sources close to the DTI said civil servants had tried to block Labour's two key policies designed to eliminate the bias against coal. The two civil servants involved are thought to be Jonathan Green, director of electricity with overall responsibility for the power industry, and Malcolm Keay, director of energy policy and analysis.

Labour's hastily assembled moratorium on further approvals of gas-fired power stations this week was opposed by officials, who argued it would conflict with the existing policy framework. It was only when ministers spotted press reports of concerns by National Grid over the dash for gas that they had the justification to overcome the resistance.

Mr Battle hinted at the rift during evidence on Wednesday to the Commons Trade and Industry Select Committee. He told MPs that the DTI did not have an anti-coal policy.

"There's no bias against coal at all ... There's no downer on coal."

But Mr Battle admitted to the committee that the earlier move to review the Electricity Pool, announced in the autumn, had met with internal "resistance." The pool, the wholesale power market, is frequently blamed for encouraging the gas-fired power stations at the expense of coal.

The rift gives an insight into Labour's difficulty in changing policy in the DTI, the department which pioneered Thatcherite privatisation and deregulation policy. Sources also described a "Yes Minister" mentality over access to ministers.

Meanwhile power companies warned yesterday that the moratorium could block future coal-fired power stations' applications as well as gas-generation projects. The delay on further approvals applies to all generating licences from the DTI, including environmentally friendly combined heat and power schemes.

## Byatt considers water pipe plans

New proposals to force water companies to open their pipeline networks to competition have been submitted to the Government by Ian Byatt, the water industry regulator.

In an interview with *The Independent*, Mr Byatt said yesterday he planned to use the Government's Competition Bill to promote so-called "common carriage," where competitors can gain access to water company pipes. The new Bill would give utility regulators and the Office of Fair Trading the power to intervene to ban anti-competitive behaviour.

"If a company were to unreasonably deny the use of its pipes that could be held to be a breach of competition," said Mr Byatt. Previous plans to connect pipeline networks of different water groups were unveiled by the last Government, but Mr Byatt said there were still "sitting on ministers' desks."

But Jeremy Bryan, managing director of Envirologic, the consultancy group which has pioneered water competition, questioned whether common carriage was the best way to achieve competition. "Some water company pipes are 100 years old and leak like a sieve. If you put high quality water in one end it won't come out that way at the other end."

Mr Byatt also said he expected to give the go-ahead to

a landmark competition scheme by Enviro-Logic before Christmas. It would take over the provision of water and sewerage services to Shotton Paper in Wales, one of the largest newsprint producers from Welsh Water.

Mr Byatt, who has spent five years bombarding Ofwat, the water watchdog, with competition proposals, said he was ready to begin work on the scheme as soon as he received a "green light" from the regulator.

Mr Byatt also issued a warning to water companies over the next five year price cap, which he has already said will see a substantial one-off cut in customer bills in 2000. He said the most efficient water companies would face the biggest cut in revenues, which analysts have predicted will be at least 10 per cent.

"A company which has done well in the current five year period would have a big cut to benefit customers," said Mr Byatt, adding that in the following four years of the price cap the company would face a less stringent regime than inefficient water groups.

The regulator also made clear the principle of a one-off cut was not negotiable, despite demands by the Environment Agency that the revenues should be redirected to investment in environmental improvements.

— Chris Godsmark

## FI Group buys Indian computer company

FI Group became the latest in a line of UK technology companies to make a passage to India, after it announced yesterday that it was buying a New Delhi-based computer services company for £22m.

News that fast growing FI was making its first acquisition outside the UK plus a forecast from the company that profits for the current half year would be 54 per cent higher at £4.3m, sent FI's shares 107.5p higher at 845p.

Shares in the company were floated at 235p less than two years ago. The deal to buy 76 per cent of IIS Infotech with an option on the remaining stake will be part funded by a £14.6m one for 12 rights issue at 640p a share.

FI joins UK computer companies like Logica and Micro Focus which have spotted the potential of the booming Indian IT market. India already produces more IT graduates than the USA each year, which is attractive given the world-wide shortage of computer programmers to deal with the millennium crisis.

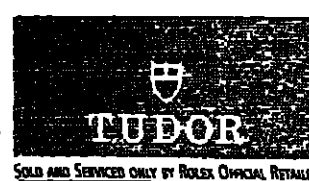
As Hilary Crupper, FI's chief executive points out, the cost of employing an Indian graduate is a third lower than a UK graduate, an important consideration given soaring wage inflation in the industry.

— Sarameena Ahmed

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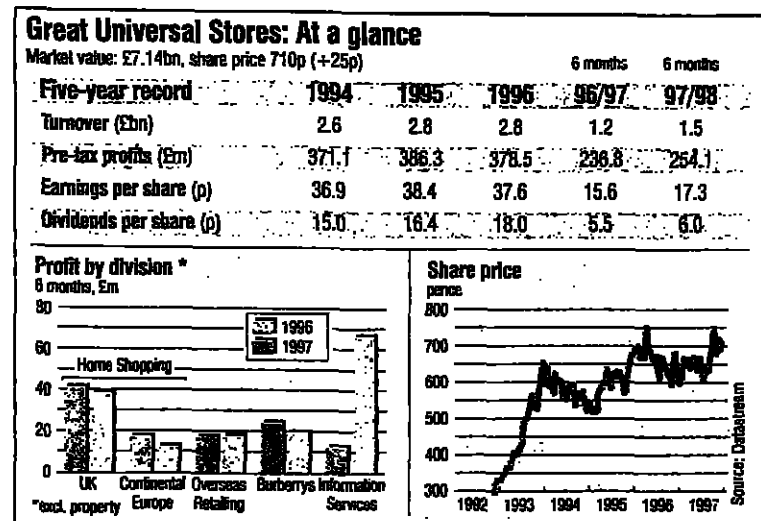
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## THE INVESTMENT COLUMN

EDITED BY SAMEENA AHMAD



### GUS still has a long way to go

Turning around slumbering giant Great Universal Stores was always going to be a long haul for chairman Lord Wolfson. Yesterday's figures show there is still a way to go.

While half year profits edged up 7 per cent to £244m the improvement was due entirely to a strong performance from the Experian data base and credit rating business. Profits in all the retail businesses fell, some of them sharply though part was from a currency hit in continental Europe and at Burberry.

However, problems are not as bad as might appear and management is addressing the key issues. One is to drive the UK mail order business from its previous stagnant state.

Sales there increased by 6.4 per cent over the previous half partly due to including more higher risk customers. But profits fell due to improved ser-

vices costs such as better response and delivery times.

Buying sales growth with lower credit scoring customers is increasing bad debt ratings, though GUS reckons sales will be stronger in the long run.

The £20m deal to buy four direct mail order catalogues from Burton will take GUS's direct mail order sales to more than £100m and it is clear Lord Wolfson would love to do larger deals.

At Burberry, the City knew sales were under pressure, but news of trading through unlicensed distributors in the brand causing a hit of up to £8m was a surprise.

Lord Wolfson admitted it showed lack of supply controls that will now be tightened up.

The real bonanza for GUS has been Experian. Acquired for £1bn a year ago, it is performing strongly and now accounts for a third of GUS profits.

Other bolt-on deals are expected here and the balance sheet will show £500m of cash by the spring to fund them.

Assuming full year profits of £580m, the shares - up 25p yesterday to 710p, trade on a forward rating of 18. High enough for now.

### Salvesen should have accepted bid

Here's a simple question. Would shareholders in Christian Salvesen be better off now if the logistics group had not rejected Hays' mooted cash bid 18 months ago? The answer is a resounding yes. A bid from Hays would have been worth at least £1bn or 390p a share, ex-dividend.

Compare that with the current combined value of the demerged company - Salvesen, the ramp distribution group, and Aggreko, the bigger power hire business.

Even after yesterday's 9p rise in Salvesen's shares to 103p and Aggreko's 5.5p rise to 164p, and including Salvesen's recent £150m special payout, investors own shares worth 318p. And that is after a 15 per cent or so hike in the market since Hays' first showed interest.

Given his legacy, Chris Masters, Salvesen's ex-chief executive who fought off Hays and is now running Aggreko, must be amazed he has a job at all. What should investors do with their shares now? The hire market for power equipment is booming, particularly in the US, Aggreko's largest market, and there are opportunities in Asia.

Aggreko's shares have outperformed the market by around 5 per cent since demerger and are on a 15 per cent market premium next year. Lower than Hays', it is fair to say Aggreko is smaller and growing more slowly. Investors should hold on. Salvesen is a harder call. Its food services business, 15 per cent of the total and hit by the

poor pea harvest, is dire and should be sold. However, Swift, Salvesen's overnight delivery service is growing fast and margin pressures in food retailing distribution are easing.

The yield next year will be a good 6 per cent, and there is the chance of a bid. The unknown is chief Edward Roderick, ex-Hays, and markets are still tough. However with Salvesen on a 25 per cent market discount, hold.

### Pitfalls for a motor dealer

Does the stock market need another car dealer? As an industry, motor distributors suffer from water-thin margins, overcapacity and low growth prospects. Not to mention the grip exerted over their businesses by the car manufacturers. Most dealers have made appalling investments.

Sytner, founded and chaired by former racing driver Frank Sytner, is better than most. In the three years to December 1996 profits rocketed from £480,000 to £2.67m. A further rise to £6.5m is forecast for 1997.

Much of the growth has come from acquisitions. But Sytner has also squeezed better sales out of the dealerships it takes over. It plans to use the £16.9m float proceeds - a further £6.2m will be shared between venture capitalists and directors - to expand and take on new marques like Jaguar.

There are pitfalls, however. Manufacturers will jealously limit the number of dealerships Sytner is allowed to take on. An environmentally inspired tax on gas guzzlers would also hurt Sytner more than most.

It may be one of the best car distributors around. But at 230p - a multiple of 11 times forecast earnings - the shares are not worth chasing.

## Centrica pays £440m to settle take-or-pay North Sea contracts

Centrica, the demerged British Gas supply business, yesterday lifted a huge burden from its balance sheet, with £440m worth of deals to settle the bulk of its long running "take-or-pay" problem from high-price North Sea gas contracts. As Chris Godsmark, Business Correspondent, reports, the agreements with three oil companies yesterday mark the end of a two years of marathon negotiations.

At signing ceremonies in Amsterdam yesterday Centrica agreed to pay £365m to buy itself out of high-priced gas contracts with Conoco. Elf and Total in the biggest of renegotiation packages so far unveiled by the company.

The contracts, most of which were signed in the early to mid-1980s, were to supply 6 million therms of gas. Though Centrica declined to specify the cost of the gas, it was thought

to be committed to paying near to 20p a therm in the contracts, around twice the current market price.

The company also refused to reveal the new prices in the renegotiated contracts, but they are believed to be near to the market price. It means the group's average purchase cost of gas has fallen from about 18p a therm to about 14p a therm. Centrica, which split itself off from the old British Gas in February, also revealed options to spend £155m by 2008 to buy out further contracts with Conoco. The arrangement, which will depend on the future level of gas reserves, involves a further provision of £75m from Centrica's profits this year, bringing the total bill to £440m.

It means Centrica has renegotiated about two thirds of its take-or-pay burden, or 46 billion therms, over the past year. Earlier deals included paying £295m to British Petroleum and an agreement with Mobil which cost £340m.

Ken Gardener, a director of Charterhouse Bank who has spent the past two years renegotiating the deals on secondment with Centrica, said the

new prices were in line with the market price.

He said there were "two or three" smaller deals in the pipeline, the first of which would be revealed in the new year. Centrica shares rose 2.75p, to 92.5p.

"Centrica has a fighting chance to compete on a level playing field. We're clearing away the legacy of the past."

Rachel Beaver, analyst with ABN Amro Hoare Govett, said the deal had all but eliminated the take-or-pay problem. "This is also a major endorsement for the management. They said they would do this by the end of the year and they've delivered."

The take-or-pay burden emerged spectacularly in 1995, when the market price of gas plummeted to less than 10p a therm. British Gas had committed itself to buying gas at high prices in contracts which obliged the company to take delivery of supplies from producers or pay the equivalent cost in compensation, leaving a £30bn burden in its accounts.

Mr Gardener rejected suggestions that Centrica was paying too high a price to extricate itself from the contracts.

### Wedgwood plans foray into Europe

Waterford Wedgwood, the Irish luxury crystal to crockery manufacturer chaired by Tony O'Reilly, is planning a march into continental Europe with a DM105.8m (£35.5m) offer to control Rosenthal, one of Germany's most famous porcelain makers.

The deal to buy its outstanding stake in Rosenthal will give Waterford, which currently sells in the UK, Ireland, US and Japan, a quarter of the German market. Mr O'Reilly said the move was "the next stage in building the company into an international luxury brands group".

Waterford currently already owns or has agreed to acquire 31.4 per cent of Rosenthal and has options to buy another 13.5 per cent, giving the company effective control of 44.9 per cent of the company. The company is offering DM200 a share for the outstanding shares, representing an 18 per cent premium to Rosenthal's closing price on Wednesday.

Though Waterford will control a large share of the German market, German anti-trust authorities have given their go-ahead for the takeover. The deal came less than 48 hours after Mr O'Reilly stepped down as chairman and chief executive of HJ Heinz, the US food manufacturer.

Grand Metropolitan yesterday reported its last set of results before it concludes its £24m merger with Guinness, on 17 December. Andrew Yates reflects on the creation of a new drinks colossus.

John McGrath, chief executive designate of Diageo, yesterday signalled that the new drinks group was likely to give more money back to shareholders over the next few years on top of the 70p-a-share £2.8bn payout, it has already promised.

GrandMet predicted that the drinks industry would undergo a huge consolidation in the wake of its merger with Guinness. "A lot of companies are under pressure and consolidation will take place. We welcome this as we prefer to have rational competitors... rather than unpredictable ones," Mr McGrath said.

GrandMet also revealed that its Burger King fast food chain is poised to step up its attack on arch-rival McDonald's. It is about to launch Big King, a giant cheese burger, and the Super Fry, a new chip that is designed to stay crispier for longer, in the UK.

Mr McGrath said: "The burger market has been relatively flat but we have continued to gain market share by introducing new products. We will not cut prices like McDonald's."

George Bull, chairman of GrandMet said he was sad to see the end of GrandMet. "This is an end of an era but we join Diageo in good shape." Analysts agreed that GrandMet has signed off on a high note, with underlying pre-tax profits coming in ahead of expectations at £981m thanks to a strong performance from the IDV spirits business.

Mr McGrath said he was surprised the merger with Guinness would be sanctioned by the US Federal Trade Commission within a week.

GrandMet also confirmed that Bernard Arnault, the head of French luxury goods group LVMH who had threatened to scupper the deal, had agreed to take a seat on the Diageo board as soon as the new company was formed. LVMH will own 11 per cent of Diageo. However, under a new agreement Mr Arnault cannot increase that stake above 15 per cent.

Diageo has already announced it will cut its workforce by 2,000. However analysts believe the final figure could be much higher than that.

### P&O forced to slash flotation price of Bovis

P&O has been forced to slash the flotation price of Bovis Homes, its house building business. Andrew Yates reports on the troubled sale, which has proved an embarrassment for the transport conglomerate.

When P&O put Bovis up for sale a year ago the business was valued at £300m. In October it was estimated to be worth £250m. However yesterday P&O announced that the house builder was to be floated for just £225.6m, equivalent to 200p a share.

P&O put the blame on the turmoil in the world's stock markets. Fears that the housing market is beginning to slow after a succession of interest rate hikes have also caused shares in the housing sector to plunge.

A P&O spokesman said: "We are very happy with the price. You have to take into account that the overall stock market and the house building sector has fallen 10 per cent since October."

P&O also denied that it could have got a better price if it had sold Bovis earlier. "We would have had to rely on 1996 profit figures which would have meant floating at a large discount. The general election also caused a lot of uncertainty," said the spokesman.

However analysts were scathing about the way P&O had handled the sale. One said: "As the value put on Bovis has tumbled its management team and P&O have lost a lot of credibility."

Another City observer said: "This sale has been botched from start to finish. It is stupid to float now with the housing sector where it is. Why not wait until it recovers?"

Malcolm Harris, chief executive of Bovis, admitted that house prices in the South-east had flattened out after a period of rapid growth. However he predicted that house prices should continue to rise by 3 per cent a year around the country.

P&O will use the money to invest in its cruise ships, the best performing part of its business. Dealings in Bovis will start next Tuesday.

### Trocadero to scrap Segaworld admission charge

Trocadero is poised to scrap admission prices at Segaworld, the troubled hi-tech amusement park which forms the centrepiece of its London leisure complex - its latest attempt to revive Segaworld's flagging fortunes.

Segaworld is to undergo a £60,000 facelift and allow customers in free in an effort to make Europe's largest indoor entertainment centre profitable, according to industry sources.

John Conlan, Trocadero's new chairman, said yesterday: "We have realised that this is not an indoor theme park. It is an amusement arcade and you would not normally pay to go to an amusement arcade."

Segaworld is a £50m joint venture between Trocadero and Sega, the Japanese games giant. It has proved an embarrassing flop since it opened its doors in 1996, which has sent Trocadero's share price tumbling to 19.5p after standing at 79.5p last year.

Poor attendance forced Segaworld to slash admission prices from £12 to £2. Even so only about 1 million people have come through its doors this year, 700,000 less than forecast.

- Andrew Yates

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**or Vodafone**

Savings are based on standard network recommended call rates, excluding discount or optional schemes and promotional offers. Vodafone comparison peak time on Business World tariff. Cellnet comparison peak time on Frequent Caller tariff.



## Reed Elsevier takes a knock as Footsie breaks 5,000 barrier



CATHY NEWMAN

## MARKET REPORT

For Reed Elsevier yesterday, it was a case of no news not necessarily being good news. In a trading update, the media giant said it could still give no further detail of the financial impact of irregularities in its Travel Group publications. Market-makers took fright, and sent the shares down by 15.5p to 618p, making Reed the biggest Footsie faller in an otherwise effervescent market. A hefty eight million shares changed hands.

Reed said more than two months ago that circulation figures for the hotel and airline directories had been overstated between 1991 and 1996, and that advertisers would have to be compensated. The company kicked off a thorough investigation into the problems, but has so far been unable to give its shareholders an

update on the charge to the year's profits, which could come to as much as £200m-£300m, according to analysts' estimates.

Reed followers said yesterday's fall from grace was also a reflection of a lack of news on European regulatory approval for the merger with Wolters Kluwer. News of problems from sterling's strength didn't help the share-price either.

Where dealers spurned Reed, Reckitt & Colman was wanted. Market makers smelt corporate activity and sent the shares up 70.5p to 956.5p. Some analysts said the household goods company was seeing some bid interest, with potential buyers including Colgate Palmolive and Unilever. Others thought the spurt had more to do with Reckitt's recent underperformance, with

the shares falling in recent months from a high of £10.27 earlier in the year.

Despite the excitement, the volume was low, and financial stocks saw most of the real money yesterday. Banks piggy-backed on speculation that ABN Amro was in talks about buying NatWest. Although Amro attempted to quash the rumours, saying they were "total nonsense", NatWest surged 22.5p to 925.5p. Royal Bank of Scotland joined the gravy train, up 29.5p to 720p. Another factor helping the Hong Kong-influenced shares in the sector was the Hang Seng's ebullient performance overnight. HSBC added on 77p to £16.72, and Standard Chartered rose 39p to 750p.

Insurance companies were also in demand. Norwich Union jumped 25p to 393p;

General Accident clambered on to the bandwagon and ended up 67p to £10.78; and Commercial Union closed another 43p to 888p. Stock-line insurance stocks followed the lead set by their Footsie peers. Independent Insurance, for one, improved by 35p to £11.48.

Once the starting gun had been fired, Footsie won the

race to break the 5,000 barrier within the first half hour. The rest of the day, there was no turning back, and the index cruised effortlessly to the finish, ending at a day-high of 5082.3, up 111.6 points.

The Monetary Policy Committee's decision to leave interest rates unchanged was a big factor in Footsie's emburment. A positive opening on Wall Street also aided the index. Volume was a pretty impressive 937.9 million shares.

A clutch of buy-backs boosted sentiment. Reuters, which is returning £1.5bn to shareholders, shot up 30.5p to 710p, and GEC edged up 13.5p to 403.5p after unveiling plans for a £300m share buy-back. Reuters was also buoyed by positive noises from brokers. Société Générale and NatWest were both broadly optimistic, although Pannure

Gordon only rated it a "hold".

Elsewhere, institutions visiting Geest, the food producer, bumped the shares up 9p to 391.5p. Analysts met the company the day before, which also massaged the price.

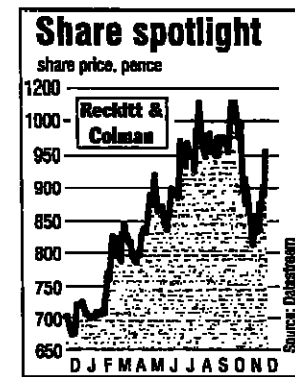
Meanwhile, good results from Denby Group helped the crockery and cookware company cook up a 12.5p rise to 155p. The group reported a 9.1 per cent increase in pre-tax profits to £6.63m for the year to the end of September, and said its array of new products had boosted profits.

GUS, the mail order behemoth, also benefited from good results and shrugged off the session 25p richer at 710p, after reporting a four per cent increase in pre-tax profit to £237.5m.

## TAKING STOCK

DPA-Egami, the Ofex-quoted company which specialises in electronic management systems, yesterday said it was launching a one for two rights issue at 15p a share to raise \$22.5m for various developments. The company is to appoint a sales and marketing director and is to expand its direct sales team. It also wants to expand its project management teams and establish a presence in Europe.

Easynet Group, the internet service provider which is traded on AIM, saw its shares jump 4p to 93.5p after awarding a £1.6m telephony contract to GPT. The contract, which combines internet and telecom technologies, will allow Easynet to route its telephone calls through its network centre in London.



52 week	High	Low	Stock	Price	Chg	Vol	PER	Div
Alcoholic Beverages								
401 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
402 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
403 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
404 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
405 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
406 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
407 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
408 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
409 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
410 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00

52 week	High	Low	Stock	Price	Chg	Vol	PER	Div
Banks, Merchant								
411 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
412 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
413 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
414 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
415 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
416 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
417 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
418 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
419 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
420 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00

52 week	High	Low	Stock	Price	Chg	Vol	PER	Div
Banks, Retail								
421 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
422 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
423 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
424 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
425 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
426 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
427 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
428 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
429 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
430 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00

52 week	High	Low	Stock	Price	Chg	Vol	PER	Div
Breweries Pubs & Rest								
431 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
432 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
433 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
434 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
435 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
436 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
437 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
438 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
439 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
440 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00

52 week	High	Low	Stock	Price	Chg	Vol	PER	Div
Building/Construction								
441 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
442 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
443 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
444 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
445 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
446 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
447 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
448 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
449 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
450 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00

52 week	High	Low	Stock	Price	Chg	Vol	PER	Div
Chemicals								
451 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
452 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
453 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
454 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
455 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
456 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
457 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
458 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
459 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
460 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00

52 week	High	Low	Stock	Price	Chg	Vol	PER	Div
Food Products								
461 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
462 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
463 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
464 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
465 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
466 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
467 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
468 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
469 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
470 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00

52 week	High	Low	Stock	Price	Chg	Vol	PER	Div
Health Care								
471 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
472 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
473 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
474 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
475 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
476 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
477 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
478 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
479 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
480 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00

52 week	High	Low	Stock	Price	Chg	Vol	PER	Div
Household Goods								
481 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
482 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
483 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
484 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
485 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
486 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
487 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
488 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
489 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
490 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00

52 week	High	Low	Stock	Price	Chg	Vol	PER	Div
Insurance								
491 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
492 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00
493 000	14.00	13.00	14.00	13.00	0.00	100	10.00	0.00



## The British way of working: high employment but low productivity

The British attitude to the rest of Europe on economic performance veers between boasting about our high employment and bemoaning our low productivity. Is it us or other countries that are too weak to enter Economic and Monetary Union?



**CHRISTOPHER JOHNSON**  
ON WHY OUR LIVING STANDARDS STILL LAG BEHIND THE EUROPEAN AVERAGE

Recent statements from the Treasury indicate that we do not have a monopoly of economic virtue. We may be more flexible than other countries in varying the length of the working week, upwards as well as downwards. But we are not yet flexible enough in terms of skills to join EMU. "Britain today is some 20 per cent less productive than our main competitors," Gordon Brown, Chancellor of the Exchequer, admitted in his pre-Budget statement.

The net result of extra effort and reduced efficiency is that our living standards in terms of GDP per head are 4 per cent lower than the EU average. We are 10th, ahead of Ireland, Spain, Portugal and Greece, and behind all our main industrial rivals. (The figures are based on OECD statistics for 1995. Different years and other sources give different figures, but the broad picture is the same.)

GDP per head is equal to hours worked per head of population (labour input) times GDP per hour worked (productivity). Productivity depends on capital inputs, including human skills as well as physical investment. Hours per head of population are hours per person employed times the percentage employed of the total population (the employment rate).

Countries vary even more in working hours, employment rates and productivity levels than they do in living standards. The graph shows different countries' combinations of effort in thousands of hours worked and efficiency in GDP per hour in dollars at purchasing power parities. The UK's labour input is 764 hours a year per head of population, second only to Denmark's in the EU. It is, however, well below that of Japan, the US and the Far Eastern "tigers". Japan's productivity is less than that of the UK, and the US's less than the EU average. Their higher GDP per head is due to longer working hours, so it has a welfare cost.

Britain achieves its high labour input partly by having 44 per cent of the population (71 per cent of 15-64s) in employment. Its employment rate comes below those of only Denmark and Sweden in the EU. Britain also has the longest average working hours per employee after Spain and Finland - 1735 hours a year. We input 20 per cent more labour than the average EU country. The relatively high number of part-time workers is more than made up for by

the longer full-time working week.

The Government's policy is to increase the employment rate, even though it is already relatively high. A higher employment rate tends to go with lower unemployment. Looking across countries, an employment rate one per cent higher is apt to mean an unemployment rate two-thirds of a per cent lower.

Higher employment is beneficial to welfare, as long as it is not compulsory. On this score the UK is doing well, as long as it maintains the voluntary principle. Long working hours are a more dubious benefit. They boost household income and satisfy workaholics, but they can have adverse effects on health and family life. According to a 1995 NOP survey, about 45 per cent want to work a shorter week; only 25 per cent want to work more than 40 hours, compared with 70 per cent actually doing so.

In most EU countries, employment has risen over the past 10 years only in line with population, so the employment rate has been more or less static. Population growth in the UK has been 0.4 per cent a year - average for the EU - and employment growth has been 0.5 per cent a year. Average hours worked have fallen in most EU countries, but have risen 0.1 per cent a year in the UK.

In the US, employment has gone up 1.6 per cent a year - 0.5 per cent faster than the population increase - and working hours 0.3 per cent a year. So an increase of 2 per cent a year in labour input accounts for over half the high US growth rate of 3.3 per cent.

Britain is as far below the EU average on productivity as it is above it on labour input. UK GDP of about \$23 per person hour is 20 per cent below the EU average of \$29, and 13th

in ranking, above only Greece and Portugal. Italy and the Netherlands have the highest figure of \$38 an hour, followed by Belgium (\$36), France (\$32), Austria (\$31) and Germany (\$30).

The new DTI report says that France and Germany are 25-30 per cent ahead of the UK on productivity; my figures are 35 per cent for France and 30 per cent for Germany. The DTI's sectoral analysis shows that only chemicals and paper and printing in the UK achieve productivity higher than the G7 average. All other sectors have lower productivity, some as much as 50 per cent lower.

Low productivity in the UK is due to lack of sufficient skills training, as Mr Brown has recognised by the measures in his Green Budget. Other EU countries have done better, while the US has done almost as badly, owing to the deficiencies in its education system shares with that of the UK.

The DTI report blames too little investment in physical capital and research and development as well as low-skilled human capital, for the UK's poor productivity. "For every £100 per worker invested in the UK between 1983 and 1993, Germany and the US invested nearly £140, France almost £150 and Japan over £160." One of the Government's main arguments for going into EMU is that it would lower interest rates and increase investment.

The graph shows that there is an inverse relationship between labour input and productivity, at least among the more advanced EU countries. This works in both directions.

As the law of diminishing returns suggests, if labour input is increased with a given quantity of capital, the extra labour is less productive than the labour already employed, and the average product per hour falls.

It is still worth creating jobs

as long as GDP per head does not fall by more than the increase in employment.

Looking at it another way, if productivity per hour is rising, people can do less work and enjoy more leisure, yet still be better off. The story of economic progress over the centuries has been one of shorter hours, and productivity rising faster than the fall in hours. Result: higher living standards.

For any given objective in terms of living standards, countries have a choice of different combinations of labour input and hourly productivity. Within the EU, Italy and the Netherlands have chosen one end of the spectrum, with short hours and high productivity. The UK and to a lesser extent the Scandinavian countries have taken the other end, with long hours and low productivity.

If only the UK could raise productivity by 25 per cent to the EU average, while keeping its present working hours, it would overtake all the other EU countries with a similar rise in living standards. If it could do even half as well, with a 12.5 per cent increase in productivity, it would be level pegging with France and Germany at a GDP per head of \$20,000 a year.

In the better years of the Thatcher era, the UK managed to raise productivity faster than its EU rivals, without catching them up. If it could now increase productivity 2.5 per cent a year faster than them for five years, it could catch up in terms of living standards though not in terms of productivity levels.

Higher labour input - particularly by means of more jobs rather than longer hours - and lower productivity are a valid alternative to the continental model.

\* Christopher Johnson is UK Adviser to the Association for the Monetary Union of Europe.

## PEOPLE & BUSINESS

### JOHN WILLCOCK



One thing intrigued me about this week's two-day Monetary Policy Committee meeting at the Bank of England. What did the eight members do on Wednesday evening, half way through the talks? Were they bussed to a hotel, like a trial jury, in order to guard against details leaking out? Were they simply told not to blurt anything out on the train home? Or did they all stay in the office? Did Eddie George hold a pyjama party at Threadneedle Street...

My fevered imaginings were swiftly doused yesterday by a spokeswoman from the Bank, who assured me the MPC members went home as usual. "Routine confidentiality arrangements apply to all employees of the Bank."

The Committee members do go into a period of purdah (from journalists) for a week before the meeting and a day afterwards. But they are already used to dealing with all sorts of sensitive information," said the spokeswoman.

In fact, a two-day meeting might even aid decision-making, since the members do most of the discussing on Wednesday and then have a chance to sleep on their decision.

Congratulations in advance to Ian Byatt, the water regulator, on his impending nuptials next week to Dr Dierdre Kelly, a specialist in liver diseases at Birmingham Children's Hospital. The wedding will take place in a registry office, followed by a blessing in Birmingham Cathedral, and then a honeymoon in Dr Kelly's native Ireland.

As I'm sure you know, Mr Byatt was previously married to AS Byatt, the famous author, who herself is now married to Peter Duffy, a fund manager who was formerly an editor of the *Daily Telegraph's* *Questor* column.

Good luck to James Bethell, former author of this very diary column, who is helping to launch *Ministry Magazine* today in his capacity as head of media at the Ministry of Sound nightclub in South-east London. The warehouse-turned-rave-venue, owned by Jamie Palumbo and located in the otherwise unappealing Elephant & Castle, is launching its own "lifestyle" magazine for clubbers.

The joint venture with Dennis Publishing will kick off with a 120,000 print run. James claims they have received 5,000 subscriptions even before hitting the streets. "The first issue covers everything from herbal ecstasy to the booming bisexuality scene," he enthuses. He's certainly come a long way from writing up Fyffes's interims.

The British public were nearly robbed of this unique literary event when burglars nicked all the club's computers, but thankfully not before the first issue of the mag had been put to bed, he says.

Where you or I may have just gone to a disco in our youth, dear reader, the men from the Ministry aim to spin a media empire off the original club, with radio stations, Internet sites and record companies all in various stages of development. Sadly, last weekend's press suggestions of a £20m offer by Sony to buy the Ministry's record label seem wide of the mark. However, I'm sure someone like Richard Branson will come along and snap the lot up before long.

A growing number of motorists are going "on the wagon" and not touching a drop of booze, according to figures compiled by Dial Direct, a motor insurance company. The analysis of insurance claims shows that nearly a fifth of motorists applying for cover claim to be teetotal. Good news for safety campaigners, it seems.

But the surprise findings don't end there. Declared "non-drinkers" are making between 5 and 10 per cent more insurance claims than those car drivers who declare they enjoy the occasional tipple.

Mike Elkin, Dial Direct's marketing manager, suggests the sad explanation for these findings is that "some motorists are being economical with the truth about their drinking habits when providing information to us".

Surely not. Make mine a treble...

Some musical chairs at the top of the drug companies. Novartis has appointed Jerry Karabelas as head of its healthcare business worldwide and chief executive of pharmaceuticals, starting next year.

Mr Karabelas, 45, currently executive vice president with SmithKline Beecham, will succeed Pierre Donaze, who will retire. Novartis said yesterday. SmithKline has recalled Howard Pien from China to replace Mr Karabelas in North America.

### Foreign Exchange Rates

Country	Sterling	Spot	1 month	3 month	D-Mark	Spot	1 month	3 month
UK	10000				10000			
Australia	2488	2488	2478	2468	1638	1638	1628	1618
Canada	2018	2018	2008	1998	1248	1248	1238	1228
France	1638	1638	1628	1618	1000	1000	990	980
Germany	1638	1638	1628	1618	1000	1000	990	980
Italy	1368	1368	1358	1348	750	750	740	730
Japan	148	148	147	146	100	100	99	98
Spain	166	166	165	164	100	100	99	98
Sweden	10.46	10.46	10.45	10.44	100	100	99	98
Switzerland	1.48	1.48	1.47	1.46	100	100	99	98
US	1.54	1.54	1.53	1.52	100	100	99	98

### Other Spot Rates

Country	Sterling	Dollar	Country	Sterling	Dollar
Argentina	1670	1670	China	8.28	8.28
Brazil	1950	1950	France	1638	1638
Canada	2018	2018	Germany	1638	1638
Czech Rep	58.74	58.74	Italy	1368	1368
Egypt	58.74	58.74	Japan	148	148
Greece	340.00	340.00	Spain	166	166
Hungary	334.86	334.86	Sweden	10.46	10.46
India	46.50	46.50	Switzerland	1.48	1.48
Indonesia	1580.00	1580.00	US	1.54	1.54
Kuwait	0.5067	0.5067			
Nigeria	12.57	12.57			

### Interest Rates

UK	Germany	France	Italy	Japan	US
Base	7.25%	Discount	2.50%	Prime	5.50%
Bank	7.25%	Discount	2.50%	Prime	5.50%
Call	7.25%	Discount	2.50%	Prime	5.50%
3m	7.25%	Discount	2.50%	Prime	5.50%
6m	7.25%	Discount	2.50%	Prime	5.50%
12m	7.25%	Discount	2.50%	Prime	5.50%

### Money Market Rates

Overnight	1 week	1 month	3 months	6 months	1 year
UK	7.25%	7.25%	7.25%	7.25%	7.25%
Germany	7.25%	7.25%	7.25%	7.25%	7.25%
France	7.25%	7.25%	7.25%	7.25%	7.25%
Italy	7.25%	7.25%	7.25%	7.25%	7.25%
Japan	7.25%	7.25%	7.25%	7.25%	7.25%
US	7.25%	7.25%	7.25%	7.25%	7.25%

### Life Financial Futures

Contract	Settlement	High	Low	Est floor	Open interest
Long G	Dec-97	104.43	104.30	104.33	90448
Long G	Mar-98	104.43	104.30	104.33	90448
Long G	Jun-98	104.43	104.30	104.33	90448
Long G	Sep-98	104.43	104.30	104.33	90448
Long G	Dec-98	104.43	104.30	104.33	90448
Long G	Mar-99	104.43	104.30	104.33	90448

### Life FSE 100 Index Option

Settlement	High	Low	Est floor	Open interest
Settlement	High	Low	Est floor	Open interest
Settlement	High	Low	Est floor	Open interest
Settlement	High	Low	Est floor	Open interest
Settlement	High	Low	Est floor	Open interest
Settlement	High	Low	Est floor	Open interest

### Industrial Metals

LME (t/tonne)	Cash	3 month	6 month	12 month
Aluminum HG	1565	1565	1565	1565
Aluminum LG	1420	1420	1420	1420
Copper A	178	178	178	178
Copper B	178	178	178	178
Gold	380	380	380	380
Iron	60	60	60	60
Nickel	60	60	60	60
Palladium	1000	1000	1000	1000
Platinum	1000	1000	1000	1000
Silver	100	100	100	100
Zinc	100	100	100	100

### Precious Metals

pm flx/oz per oz	Day's Year's	pm flx/oz per oz	Day's Year's
Platinum	3800.00	150.00	900.00
Palladium	2850.00	150.00	900.00
Silver	380.00	150.00	900.00
Gold	380.00	150.00	900.00

### Agricultural

	Gold	Bar	Ytd	Fund
German Gwth	86.30	177.20	200	Chad Haven A/C
Germany A/Cs	86.30	177.20	200	Chad Haven B/C
India Polio	78.30	82.40	0.3	Distribution Inc
India Polio	78.30	82.40	0.3	Equity
High Int	49.60	16.00	6.34	European
High Int 1st A/C	123.10	927.0	9.6	European
High Int 2nd A/C	123.10	927.0	9.6	European
High Profit A/C	78.30	83.50	3.85	High Income
High Profit A/C	78.30	83.50	3.85	High Income
Income A/C	208.00	214.00	2.87	Income
Income A/C	208.00	214.00	2.87	Income
Japan Gwth A/C	76.1	76.00	0.0	Japanes
Japanes Trust	75.39	80.78	1.6	Japanes
Japanes Trust	75.39	80.78	1.6	Japanes
Millennium	10.60	10.00	5.23	Managed Inc
Millennium	10.60	10.00	5.23	Managed Inc
North America	228.7	264.40	0.0	Pacific Mkt
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North America	22			



## Base rates unchanged but Halifax puts up mortgages

**The Monetary Policy Committee has decided to leave interest rates unchanged at 7.25 per cent. But this failed to stop Halifax raising mortgage rates yesterday afternoon. Leo Paterson reports.**

The City breathed a sigh of relief yesterday as the Bank of England's Monetary Policy Committee (MPC) decided, at least for the time being, to leave interest rates on hold.

Sudhir Junankar, assistant director of economic analysis at the CBI, said: "We think the decision was justified by the information on the economy."

Jeremy Peat, chief economist at Royal Bank of Scotland, agreed: "I am sure this is the correct decision. Both Treasury and Bank of England forecasts point to a

marked slowdown in the UK economy through 1998."

Following recent signs that the economy could be slowing down, including data released yesterday suggesting a bumper Christmas on the high street could be off the cards after all, the MPC's decision had been widely anticipated. But some mixed economic signals in tandem with last month's surprise rate rise had left the market jittery in the run-up to yesterday's announcement.

It was not all good news, though, for millions of UK home-owners. Halifax announced that, on 1 January, it will increase its mortgage rates by 0.25 per cent to 8.7 per cent.

Gren Folwell, deputy chief executive of Halifax, said its rate rise was a direct consequence of the Bank's decision on November 6 to increase interest rates by 0.25 per cent.

Mr Folwell said: "We decided not to pass on any in-

crease in mortgage rates to our existing customers before Christmas but preferred to wait to see the outcome of the December meeting of the Monetary Policy Committee." Halifax will shortly announce details of its new saving rates, also due to rise from 1 January.

Data from the Confederation of Business Industry seemed to support the MPC's decision. Retail sales growth slowed in November, according to the CBI, with a positive balance of 23 per cent of retailers saying that sales were higher than at this time last year. This compares with positive balances of 38 per cent for October and 26 per cent in September. "It was a weaker survey than we had expected," said economists at HSBC Markets.

New figures on construction orders also signalled that the eagerly anticipated economic slowdown could be on its way. New construction orders

received by contractors in the three months to October were 1 per cent lower than in the three months to July. The Engineering Employers' Federation also said yesterday that pay settlements were below the rate of inflation for the third month on the run.

But not all indicators are pointing in the same way. Alastair Epton, chairman of the CBI's Distributive Trades Survey Panel, said: "Anecdotal evidence from retailers points to cautious optimism that consumers will spend more freely in the remaining weeks to Christmas."

And although new construction orders are lower than in the three months to July, they are still running at 4 per cent higher than at this time last year. Other figures out yesterday also suggest the economy is still growing strongly. Sales of new cars last month were 12.5 per cent higher than in November last year.



Season of uncertainty: Surveys suggest the high street boom is slowing but some retailers still expect a bumper Christmas

### BA and Qantas get go-ahead for merged services

British Airways and Qantas were yesterday given the all-clear to merge their services on the Kangaroo route between London and Australia, where the two carriers command 40 per cent of the market. Under a deal approved by Australian aviation authorities, BA and Qantas will code share on 310 flights a week and sell seats on each other's services. The clearance came as Qantas celebrated the 50th anniversary of services between London and Sydney by announcing a A\$560m upgrade of its long-haul Boeing 747 fleet.

### Steel leaders' sterling plea

Steel industry leaders yesterday issued a fresh plea to the Government over the level of sterling, saying it had cost £1bn in lost export orders in the last 15 months. Brian Clayton, president of the UK Steel Association, warned this would mean lower investment and fewer jobs and called on ministers to recognise the damage that an over-valued currency was doing to UK manufacturing.

The President of the Board of Trade, Margaret Beckett, told the association's annual meeting that the Government wanted a stable and competitive exchange rate but the best way to achieve this was to avoid the boom and bust policies of the 1980s.

### Britannia rethinks

Britannia Building Society said it has decided to restructure its life business in a move which will include the permanent loss of 240 jobs and the phasing out of a further 180 positions but aims to ensure the group's long term profitability. Britannia Life will withdraw from the independent financial adviser (IFA) market for new business with effect from 12 December, and its life and pensions products will be solely distributed through the branch network.

### Metropole boosts Stakis

Stakis, the hotel and casino group, announced a 92 per cent rise in pre-tax profits to £56m thanks to a maiden contribution from the Metropole hotel chain it purchased for £327m last year. Profits at its struggling casino division fell to £7.8m (£8.9m). Stakis confirmed it was looking to invest heavily in its casino chain after the restructuring of the division produced encouraging results.

### Energis set for top price

The flotation of Energis looks set to value the business phones group next week at close to the top of indicative price range. It would put a price of up to £962m on Energis, which is owned by National Grid, with shares expected to begin trading at well above 300p. Energis had previously suggested a price range of between 250p and 325p.

### New snags in gas plans

BG, the former British Gas, was facing a new rift with Ofgas, the industry watchdog, yesterday after the company raised new risks to customers from moves to open the domestic to competition next year. Transco, the BG division which owns the pipeline network, said new computer systems to track homes as they switched supplier could be hit by even minor errors and it had no contingency plans in place to deal with problems. Ofgas has proposed to extend competition in the North of England from February 1998, but BG said the watchdog should only proceed once systems were proven to work.

### Korean market soars

Asian markets yesterday were swept with a mood of optimism following the conclusion of an agreement between South Korea and the International Monetary Fund for a rescue package which now stands at \$57bn. In Korea the market registered its biggest ever one-day gain, rising by almost 7 per cent. The much battered South Korean currency, the won, finally managed to reverse its decline against the US dollar.

COMPANY RESULTS	Turnover	Pre-tax	EPS	Dividend
Almestest (I)	25.15m (25.4m)	0.308m (0.188m)	0.9p (0.5p)	1.5p (1.3p)
Arva Redder (F)	251.2m (250.1m)	26.4m (21.5m)	70.8p (60.8p)	21.15p (19.5p)
Barnard (F)	56.1m (52.5m)	4.0m (2.72m)	7.1p (5.1p)	1.0p (1.5p)
Bibby (I)	23.6m (28.8m)	4.97m (6.25m)	7.8p (8.8p)	2.5p (2.3p)
Bondar Television (I)	7.75m (7.72m)	0.822m (1.53m)	5.8p (8.0p)	2.7p (2.7p)
Castings (F)	30.75m (28.58m)	4.71m (4.28m)	7.58p (6.88p)	1.88p (1.43p)
Christianson Salesmen (I)	355.2m (361.3m)	47.8m (51.8m)	10.5p (12.3p)	3.9p (3.8p)
County Group (F)	36.48m (33.11m)	6.63m (6.08m)	13.5p (12.2p)	3.0p (4.55p)
Deveraux (F)	16.95m (15.31m)	1.28m (0.777m)	7.27p (4.58p)	1.92p (2.88p)
Egno Reed (I)	61.8m (49.85m)	10.03m (8.94m)	11.7p (9.5p)	3.05p (-)
ERC (I)	2.91m (2.94m)	442.0m (261.0m)	10.1p (5.5p)	3.43p (3.28p)
Gammithers (F)	3.17m (3.97m)	894.0m (388.0)	25.1p (2.4p)	nil (-)
GLS (I)	1.50p (1.21p)	254.1m (226.8m)	17.3p (15.6p)	6.0p (5.5p)
Hanson	1.87m (-)	1.31m (-)	15.5p (-)	nil (-)
Hunter (F)	49.95m (49.78m)	2.05m (6.31m)	2.0p (5.0p)	1.2p (1.725p)
Jones & Shipman (I)	8.17m (9.28m)	0.288m (0.609m)	1.0p (2.22p)	nil (-)

Figures are in £m unless stated otherwise. EPS is pre-tax. Dividend is in pence. Figures are for the year ended 31 March 1997.

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# 30/WORLD CUP DRAW



Spain's Fernando Hierro (left) challenges Brazil's Ronaldo during yesterday's gala match in Marseilles

Photograph: Eric Gaillard/Reuters

## Tournament schedule

Group A			
1 Brazil	2 Scotland	3 Morocco	4 Norway
Wed 10 June (St Denis, 4.30)	Brazil v Scotland	Wed 10 June (Montpellier, 8.0)	Morocco v Norway
Tues 16 June (Bordeaux, 4.30)	Scotland v Norway	Tues 16 June (Nantes, 8.0)	Brazil v Morocco
Tues 23 June (Marseilles, 8.0)	Brazil v Norway	Tues 23 June (St Etienne, 8.0)	Scotland v Morocco
Group B			
1 Italy	2 Chile	3 Cameroon	4 Austria
Thurs 11 June (Bordeaux, 4.30)	Italy v Chile	Thurs 11 June (Toulouse, 8.0)	Cameroon v Austria
Wed 17 June (St Etienne, 4.30)	Chile v Austria	Wed 17 June (Montpellier, 8.0)	Italy v Cameroon
Tues 23 June (Nantes, 8.0)	Italy v Austria	Tues 23 June (Toulouse, 8.0)	Chile v Cameroon
Group C			
1 France	2 South Africa	3 Saudi Arabia	4 Denmark
Fri 12 June (Lens, 4.30)	Saudi Arabia v Denmark	Fri 12 June (Marseilles, 8.0)	France v South Africa
Thurs 18 June (Toulouse, 4.30)	South Africa v Denmark	Thurs 18 June (St Denis, 8.0)	France v Saudi Arabia
Wed 24 June (Lyon, 3.0)	France v Denmark	Wed 24 June (Bordeaux, 3.0)	South Africa v Saudi Arabia
Group D			
1 Spain	2 Nigeria	3 Paraguay	4 Bulgaria
Fri 12 June (Montpellier, 1.30)	Paraguay v Bulgaria	Sat 13 June (Nantes, 1.30)	Spain v Nigeria
Fri 19 June (Paris, 4.30)	Nigeria v Bulgaria	Fri 19 June (St Etienne, 8.0)	Spain v Paraguay
Wed 24 June (Lens, 8.0)	Spain v Bulgaria	Wed 24 June (Toulouse, 8.0)	Nigeria v Paraguay
Group E			
1 The Netherlands	2 Belgium	3 South Korea	4 Mexico
Sat 13 June (Lyon, 4.30)	South Korea v Mexico	Sat 13 June (St Denis, 8.0)	Netherlands v Belgium
Sat 20 June (Bordeaux, 1.30)	Belgium v Mexico	Sat 20 June (Marseilles, 8.0)	Netherlands v South Korea
Thurs 25 June (St Etienne, 3.0)	Belgium v Mexico	Thurs 25 June (Paris, 3.0)	Netherlands v South Korea
Group F			
1 Germany	2 United States	3 Yugoslavia	4 Iran
Sun 14 June (St Etienne, 1.30)	Yugoslavia v Iran	Mon 15 June (Paris, 8.0)	Germany v U.S.
Sun 21 June (Lens, 4.30)	Germany v Yugoslavia	Sun 21 June (Lyon, 8.0)	U.S. v Iran
Thurs 25 June (Montpellier, 8.0)	Germany v Iran	Thurs 25 June (Nantes, 8.0)	U.S. v Yugoslavia
Group G			
1 Romania	2 Colombia	3 England	4 Tunisia
Mon 15 June (Marseilles, 1.30)	England v Tunisia	Mon 15 June (Lyon, 4.30)	Romania v Colombia
Mon 22 June (Montpellier, 4.30)	Colombia v Tunisia	Mon 22 June (Toulouse, 8.0)	Romania v England
Fri 26 June (St Denis, 8.0)	Romania v Tunisia	Fri 26 June (Lens, 8.0)	Colombia v England
Group H			
1 Argentina	2 Japan	3 Jamaica	4 Croatia
Sun 14 June (Toulouse, 4.30)	Argentina v Japan	Sun 14 June (Lens, 8.0)	Jamaica v Croatia
Sat 20 June (Nantes, 4.30)	Japan v Croatia	Sat 20 June (Paris, 1.30)	Argentina v Jamaica
Fri 26 June (Bordeaux, 3.0)	Argentina v Jamaica	Fri 26 June (Lyon, 3.0)	Japan v Croatia

## ENGLAND'S OPPONENTS

### Three Lions to face three uncertainties

A fortunate draw for Glenn Hoddle's men? They may think so, but, as Guy Hodgson explains, two of the teams are capable of brilliance.

When the World Cup seeds were first announced one team looked weaker than the others. As Glenn Hoddle was crossing his fingers before last night's draw, it is a fair guess he hoped he would be paired in the group headed by Romania.

Not that the Romanians lack ability - Gheorghe Hagi and Marius Lacatus will have few equals in the tournament - but their age will count against them. Euro 96 was supposed to be the last hurrah for the team: to extend their world-class status for another two years is asking much.

Hagi will be 33 in France while Lacatus, who scored the first goal in the Europe versus Rest of the World match last night, will be 34. At 29, Ilie Dumitrescu, the former Tottenham player, almost represents a youth policy within the team.

Coached by Anghel Iordanescu, whose nickname is

"The General", they reached the quarter-finals in the United States four years ago but flopped in England, losing all three of their matches.

Then, reaching France seemed an unlikely prospect but instead of struggling they romped through qualification to finish 10 points ahead of the Republic of Ireland with an unbeaten record, scoring 37 goals and conceding only four in 10 matches. "They are a formidable team," Mick McCarthy, the Irish manager said after losing in Bucharest. "On their day, they can beat anyone."

As the statistics suggest, Iordanescu is a lover of attacking football and is prepared to take risks. "Whoever tries to understand my tactics," he said, "must realise I often reach my decisions by gut reaction."

Sickful, temperamental and as likely to be ordinary as brilliant, fatigue can drag the Romanians down and England are probably happier to face them in their second match, in Toulouse on 22 June, when their legs will be weary.

The countries have met nine times previously and England have lost only once, in 1980. Ominously, that was

in a World Cup qualification match. Their last match was at Wembley three years ago, which was a 1-1 draw.

While England will know a lot about the Romanians - and anything they lack they can get from McCarthy - their other opponents are less familiar. Newcastle's Faustino Asprilla is a known commodity, of course, but Colombia are a difficult side to assess. Tipped by Pele to win the World Cup in 1994 they lost all three of their group games, and the campaign had a tragic aftermath in that one of their players, Andres Escobar, was subsequently murdered.

A team ranked ninth in the world cannot be dismissed, however, and any side that can partner Asprilla with Carlos Valderrama has the potential to score goals. They, rather than Romania, might prove to be England's most difficult opening opponents.

Tunisia are unlikely to fill that role. They pose England's first test but look likely to be the whipping boys in qualification. This will be only their second appearance in the World Cup proper and despite being ranked 23rd in the world, they will probably repeat their first-round exit of 1978.

## SCOTLAND'S OPPONENTS

### Champions provide ultimate test for Brown

Last night's draw pitted Scotland against familiar opponents. Phil Shaw reports.

So the anthem of the Tartan Army's qualifying campaign proved prescient indeed. Scotland are "going to Gay Paree" - to the new Stade de France in the suburb of St Denis - though if the fantasies of their followers had been fully realised it would have been for the last game of France 98, the final, rather than the opening match against the world champions, Brazil.

Scotland and Brazil are no strangers to World Cup combat. They met in Frankfurt in 1974, when Willie Ormond's side had the better of a 0-0 draw, and again at Seville in 1982, a match remembered chiefly for the long-range David Narey goal which gave Jock Stein's team the lead before Zico, Oscar, Eder and Falcao beat Alan Rough.

They were also paired in the 1990 finals in rain-lashed Turin. Muller, on as a substitute, beat Jim Leighton eight minutes from time to ensure that Scotland failed, for the seventh time in as many appearances

on the global stage, to advance beyond the first phase. Defeat also left Scotland, by then under Andy Roxburgh's stewardship, without a win over Brazil in eight attempts.

Then again, Scotland have not beaten any South American side in the World Cup, so it could be argued that it mattered little who they drew. Moreover, the first game of the tournament is invariably a tense affair, with both sides reluctant to reveal too much of their hand.

While he would doubtless have preferred Romania and Tunisia - who Scotland drew in the dummy run yesterday but now play England - Craig Brown will take consolation from the fact that they meet such tough opposition sooner rather than later.

Scotland will, however, be confident that their extraordinary run of clean sheets in competitive fixtures during Brown's reign will stand them in good stead. The prospect of Colin Hendry and company pitting themselves against Ronaldo and the reborn Romario is mouth-watering, and Leighton will be as prepared as any keeper can be for the viciously swerving set-pieces of Roberto Carlos.

As holders and therefore

exempt from the 16-match round-robin tourney which Argentina and others had to endure, Brazil may lack a competitive edge. Although they won the South American Championship, Mario Zagallo's team were not up against the strongest opposition: the likes of Chile, still embroiled in the qualification process, sent virtual shadow squads, while the hosts, Bolivia, scarcely made for the most testing final opponents.

Given Scotland's history of embarrassments by so-called lesser nations - Iran, Costa Rica and Estonia spring to mind - they may be more concerned at drawing Morocco. The Moroccanians, as Sir Alf Ramsey famously called them, are coached by Henri Michel, a Frenchman who guided his country to third place in 1986. Recent results include a draw with Croatia, victory over Nigeria and a narrow loss to Brazil.

The Scots' other opponents, Norway, are competing in the finals for only the third time. With many of the Norwegians based in the Premiership - Oyvind Leonhardsen, Ole Gunnar Solshjaer and Gunnar Halle to name but three - it promises to be like a typically "British" battle.

## HOW TO GET TICKETS

### Larger allocation sought as home fans face disappointment

Managers say getting to the World Cup is the hard part. Supporters are likely to agree with them if they attempt to follow England and Scotland to France next summer.

Just 28 per cent of the seats will be available to foreign fans. In a stadium such as the Stade de la Mosson in Montpellier, which has a capacity of 35,500, only 5,000 tickets would be available to each set of fans.

For supporters in England and Scotland there are two ways of buying tickets, via the

official international travel clubs or via official travel operators.

The problem for anyone not already a member of England's Members Club (which has 27,000 members) or Scotland's equivalent (12,000 members) is that the organisations are very unlikely to be able to satisfy the demands of their current members. Anyone joining now would go to the back of the queue.

French supporters applying for tickets have to supply an address and bank account number in France.

However, tickets will be made available to 17 official travel operators around the world. Supporters wishing to buy tickets via these operators would have to buy a tickets-and-travel package. The FA said the names of the two British-based operators would be announced today, although the official World Cup Internet site has already announced that they will be Gullivers Sports Travel and Mike Burton Sports Travel.

"Since we qualified we've received 200 calls a day from peo-

ple wanting tickets," Steve Double, spokesman for the Football Association, said. "The sad fact is that a lot of people are going to be disappointed, but we want as many of that number as possible to have a good chance of following England."

"They've proved in the past that they can behave responsibly and back the team in a way Glenn Hoddle and the players appreciate."

"We want them to be able to enjoy themselves in the same way they did in Euro 96, safe and trouble-free, and we would have no

qualms in increasing the number of tickets to those fans who have followed England home and away in recent years. As a matter of urgency we will be urging Fifa [the sport's world governing body] to increase the allocation of tickets for England fans."

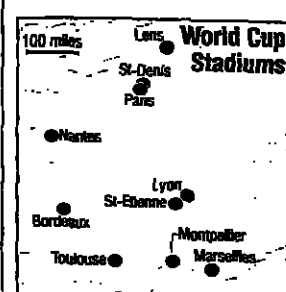
Scotland will be making similar representations on behalf of their supporters, but they, like England, are likely to be rebuffed. "There's simply no way on this issue," Keith Cooper, spokesman for Fifa, said. "Sur-

ly the Football Association does not want us to create security problems by taking tickets from here and there."

Double added: "It is important that as many fans as possible get the chance to watch England. Priority will be given by us to the fans who followed England to Moldova, Poland, Georgia and Italy."

- Guy Hodgson  
England Members Club, Football Association, 16 Lancaster Gate, London, W2 3LW

## VENUES



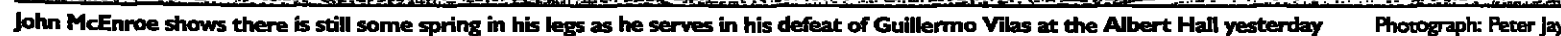
Stadium	Capacity
St Denis: Stade de France	(capacity 80,000)
Paris: Parc des Princes	(49,000)
Bordeaux: Stade Maceo	(36,500)
Lens: Stade Felix-Bollaert	(41,275)
Lyon: Stade de Gerland	(44,000)
Marseilles: Stade Velodrome	(60,000)
Montpellier: Stade de la Mosson	(35,500)
Nantes: Stade de la Beaujoire	(38,500)
St Etienne: Stade Geoffroy-Guichard	(36,000)
Toulouse: Stade Municipal	(36,500)

## LATEST ODDS

Team	C	H	A
Brazil	3-1	3-1	5-1
France	13-2	6-1	5-1
England	8-1	7-1	7-1
Germany	7-1	7-1	7-1
Holland	8-1	8-1	8-1
Italy	8-1	7-1	7-1
Argentina	11-1	12-1	12-1
Spain	14-1	18-1	14-1
Nigeria	25-1	25-1	25-1
Yugoslavia	18-1	25-1	25-1
Croatia	33-1	25-1	40-1
Belgium	25-1	40-1	40-1
Denmark	33-1	40-1	40-1
Colombia	33-1	40-1	40-1
Paraguay	33-1	40-1	40-1
Austria	33-1	40-1	40-1
Chile	33-1	40-1	40-1
Cameroon	33-1	40-1	40-1
Morocco	33-1	40-1	40-1
South Africa	33-1	40-1	40-1
South Korea	33-1	40-1	40-1
USA	33-1	40-1	40-1
Jamaica	33-1	40-1	40-1
Morocco	33-1	40-1	40-1
Saudi Arabia	33-1	40-1	40-1
Iran	33-1	40-1	40-1

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